



MOSSEL BAY MUNICIPALITY

2015 / 2016

ANNUAL FINANCIAL STATEMENTS

Management Team

Teamwork at its best

leadership with a difference

VISION

We strive to be a trend-setting, dynamic Municipality delivering quality services responsive to the demands and challenges of the community and our constitutional mandate, in which all stakeholders can participate in harmony and dignity.

MISSION

- To render cost-effective and sustainable services to the entire community with diligence and empathy.
- To create mutual trust and understanding between the municipality and the community.
- To have a motivated and representative municipal workforce with high ethical standards, which is empowered to render optimal services to the community.
- To apply good and transparent corporate governance in order to promote community prosperity.

VALUES

The community is our inspiration and our workforce is our strength in the quest for community development and service delivery. We therefore value:

- Work pride.
- Service excellence.
- Integrity.
- Loyalty.
- Accountability.



Explore Endless Horizons!

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GENERAL INFORMATION

Mayoral Committee:	Alderslady M Ferreira (Executive Mayor)
	Councillor H Levendal (Deputy Executive Mayor)
	Alderman J van der Merwe (Chairperson of Finance, Human Resources and Legal Services Committee)
	Alderman E Scheepers (Chairperson of Technical Services and Tourism Committee)
	Councillor C Bayman (Chairperson of Human Settlement Committee)
	Councillor P Terblanche (Chairperson of Community Services Committee)
	Councillor V Fortuin (Chairperson of Social Services & Local Economic Development Committee)

Speaker: Alderman K Smit*/ Clr P Terblanche

Ward Councillors:

1 Clr N R Mzola (ANC)	2 Clr N P Jwili (ANC)
3 Clr T M N Mkayo (ANC)	4 Alderman K Smit* (DA)
5 Clr J J Gerber (DA)	6 Alderman E Scheepers (DA)
7 Alderman J van der Merwe (DA)	8 Clr D Kotzé (DA)
9 Clr E Meyer (DA)	10 Clr P Terblanche (DA)
11 Clr P A Du Plessis (DA)	12 Clr N P Malilwana (ANC)
13 Clr R Ruiters (DA)	14 Clr J C Bayman (DA)

Proportional Representative Councillors:

Clr N C Booisen (DA)	Clr L Boom (ANC)
Clr E M Booysen (ANC)	Alderslady MM Ferreira (DA)
Clr V Fortuin (DA)	Clr SS Mbandezi (ANC)
Clr H Levendal (DA)	Clr F N Mdumiso (ANC)
Clr D Nqayi (DA)	Clr J Siyoko (DA)
Clr R Skombingo (ANC)	Clr Jeanette Gouws (ACDP)
Clr M M van Wyk (ANC)	

* Deceased: 25 June 2016. Ward vacancy not filled due imminent Local Government General Elections.

Auditors: The Auditor-General
Private Bag X1
CHEMPET, 7442

Municipal Manager: Mr HC Hill (Acting)

Chief Financial Officer: Mr MK Botha

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<i>Postal address:</i>	PO Box 25 Mossel Bay 6500
<i>Telephone:</i>	(044) 606-5000
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REVIEW OF THE YEAR

1 FINANCIAL PERFORMANCE

The following ratios highlight the implementation of the budget:

ACTUALS VERSUS BUDGETED CAPITAL:



ACTUALS VERSUS BUDGETED OPERATING EXPENDITURE:



ACTUALS VERSUS BUDGETED OPERATING REVENUE:



2 LIQUIDITY POSITION



The above ratios show that the Municipality has a healthy liquid position, with current assets of double the current liabilities. This ratio has improved slightly from the previous year when the ratio was 2.4 :1.

CERTIFICATION BY ACCOUNTING OFFICER

I am responsible for the preparation of these Annual Financial Statements, which are set out on pages 1 to 142 in terms of Section 126(1) of the Municipal Finance Management Act, No 56 of 2003, and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in Note 33 of these Annual Financial Statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this act.



.....
Acting Accounting Officer
HC Hill

Date: 31 August 2016

REPORT OF THE CHIEF FINANCIAL OFFICER

1 INTRODUCTION

It gives me great pleasure to present the financial position of Mossel Bay Municipality at 30 June 2016 and the results of its operations and cash flows for the year then ended.

The Annual Financial Statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP).

2 KEY FINANCIAL INDICATORS

The following are some of the key financial indicators, comparing the 2015/16 financial performance of the municipality to the 2014/15 comparative figures:

RATIO DESCRIPTION	2015/16	2014/15
<u>REVENUE MANAGEMENT</u>		
<i>Level of reliance on Government grants</i>	15.9%	15.8%
<i>Actual income vs Budgeted income*</i>	0.5%	-2.5%
<u>EXPENDITURE MANAGEMENT</u>		
<i>Personnel costs to total expenditure</i>	28.9%	29.2%
<i>Actual expenditure vs Budgeted expenditure*</i>	-4.1%	-6.2%
<i>Interest paid as a percentage of total expenditure</i>	0.8%	0.8%
<i>Repairs and maintenance / PPE (carrying amount)</i>	2.8%	2.2%
<i>Repairs and maintenance / Total expenditure</i>	6.4%	5.4%
<u>ASSET MANAGEMENT</u>		
<i>Acquisition of PPE – Actual vs Budgeted**</i>	-8.7%	-18.9%
<i>Stockholding period (DAYS)</i>	13 days	20 days
<u>DEBT MANAGEMENT</u>		
<i>Creditors payment period (DAYS)</i>	38 days	42 days
<i>Arrear debtors collection period (DAYS)</i>	31 days	51 days
<u>LIQUIDITY</u>		
<i>Current ratio</i>	2.7 : 1	2.4 : 1
<i>Acid Test ratio</i>	2.5 : 1	2.2 : 1
<i>Turnover of accounts receivable</i>	9.0 : 1	6.3 : 1
<i>Cash to Interest</i>	54.4 : 1	54.9 : 1
<i>Debt to Cash</i>	1.2 : 1	1.2 : 1
<i>Cash to Income</i>	3.9 : 1	3.7 : 1
<i>Total Liabilities / Total Assets</i>	0.1 : 1	0.1 : 1

* Refer to Statement of Comparison of Budget and Actual amounts

** Refer to Statement of Comparison of Budget and Actual amounts

2.1. Borrowing, funding and reserves policy

The borrowing, funding and reserves policy makes the measurement of the following ratios compulsory:

a) Interest paid to total expenditure

Purpose/ Use of the Ratio and Norm

The approved policy by Council determines that the interest paid to total expenditure may not exceed 5%. Table 4 provide the year to date measurement against the results of 2014/15.

Table 4

Description	2015/16	2014/15
Interest paid to total expenditure	0.8%	0.8%
Total interest paid	6 236 695	5 818 490
Total Operating expenditure	791 794 383	716 769 643

Interpretation of Results

Interest paid to total expenditure is well within the norm of 5%.

b) Total long term debt to total operating revenue

Purpose/ Use of the Ratio and Norm

The approved policy by Council determines that the total long term debt to total operating revenue (excluding conditional grants and transfers) must not exceed 35%. Table 5 provide the year to date measurement against the results of 2014/15.

Table 5

Description	2015/16	2014/15
Total long term debt to total operating revenue (excluding conditional grants and transfers)	3.8%	3.8%
Total Long-term debt	27 919 715	25 933 364
Total Operating Revenue (exlcuding conditional grants and transfers)	739 088 722	675 882 308

Interpretation of Results

This percentage of long-term debt to operating revenue is well within the approved policy of Council of 35%.

c) Cash generation from operating activities

Purpose/ Use of the Ratio and Norm

The approved policy by Council determines that the cash generation from operating activities must at least cover the annual loan repayments once. Table 6 provide the year to date measurement against the results of 2014/15.

Table 6

Description	2015/16	2014/15
Coverage of Annual loan repayments by cash generated from operating activities (Times)	78.6	88.0
Cash generated from operating activities	166 678 483	184 934 777
Annual loan repayments	2 119 693	2 101 479

Interpretation of Results

Mossel Bay Municipality does not have a high reliance on loans. Thus the ratio will always be favourable. The coverage of cash generated from operating activities to the annual loan repayment is well above the norm of 1 time.

d) Percentage of annual loan repayment to total operating expenditure

Purpose/ Use of the Ratio and Norm

The approved policy by Council determines that the percentage of total annual loan repayment (Capital and Interest) to total operating expenditure must not be more than 10%. Table 7 provide the year to date measurement against the results of 2014/15.

Table 7

Description	2015/16	2014/15
Percentage of annual loan repayment to total operating expenditure	1.1%	1.1%
Annual loan repayments (Interest & capital)	8 356 388	7 919 969
Total Operating expenditure	791 794 383	716 769 643

Interpretation of Results

Mossel Bay Municipality does not have a high reliance on loans and thus the amount relating to repayment of loans are low. Thus the ratio will always be favourable. The percentage of annual loan repayment to total operating expenditure is well within the norm of 10%.

2.2. Liquidity policy

The liquidity policy makes the measurement of the following ratios compulsory.

a) Cash/Cost Coverage Ratio

Purpose/ Use of the Ratio and Norm

The approved policy by Council determines that the Cash/Cost Coverage Ratio (Excluding Unspent Conditional Grants) must be calculated as ((Cash and Cash Equivalents - Unspent Conditional Grants - Overdraft) + Short Term Investment) / Monthly Fixed Operational Expenditure excluding (Depreciation, Amortisation, Provision for Bad Debts, Impairment and Loss on Disposal of Assets) and that a coverage of 1-3 times is acceptable.

Table 8 provide the measurement based on the last month of the quarter measured against the last month of 2014/15.

Table 8

Description	2015/16	2014/15
Cash/Cost Coverage Ratio (Times)	5.7	5.7
Cash and Cash Equivalents	318 553 645	285 337 829
Monthly Fixed Operational Expenditure	55 596 595	50 193 537
Cash and Cash Equivalents:	318 553 645	285 337 829
Petty Cash and Bank Balances	9 004 025	29 154 633
Less:		
Unspent Conditional Grants	(20 756 394)	(33 914 212)
Overdraft	-	-
Plus:		
Short-term investments	330 306 013	290 097 408
Monthly Fixed Operational Expenditure	55 596 595	50 193 537
Total average monthly Expenditure for the year	65 982 865	59 730 804
Less:		
Depreciation & Amortisation	(5 465 540)	(4 943 427)
Provision for Bad Debts	(2 335 442)	(2 882 222)
Impairment and Loss on Disposal of Assets	(709 325)	(494 968)
Contribution to provisions	(1 875 964)	(1 216 649)

Interpretation of Results

The cash/cost coverage ratio is above the norm of 1-3 times as per liquidity policy and improved from 2014/15 to 2015/16 mainly because of the increase in "Short-term investments".

b) Current ratio

Purpose/ Use of the Ratio and Norm

The purpose of this ratio is to measure the Municipality's ability to meet its short-term commitments.

The higher the current Ratio, the more capable the Municipality will be to pay its current or short-term obligations and provide for a risk cover to enable it to continue operations at desired levels. A financial ratio under 1 suggests that the Municipality would be unable to pay all its current or short-term obligations if they fall due at any specific point.

If current liabilities exceed current assets, it highlights serious financial challenges and likely liquidity problems i.e. insufficient cash to meet short-term financial obligations. Current assets must therefore be increased to appropriately cover current liabilities otherwise there is a risk that non-current assets will need to be liquidated to settle current liabilities.

The approved policy by Council determines that the current ratio must be between 1.5:1 and 2:1. Table 9 provides the calculated current year ratio.

Table 9

Description	2015/16	2014/15
Current Ratio	2.7	2.4
Current Assets	447 461 648	433 256 918
Current Liabilities	168 533 990	181 308 255

Interpretation of Results

The municipality operates above the norm set by Council. The ratio improved since the end of the previous year.

2.3. Other ratios of importance

a) Debtors collection period in days

Purpose/ Use of the Ratio and Norm

This ratio reflects the collection period. The debtor days refers to the average number of days required for the Municipality to receive payment from its consumers for bills/invoices issued to them for services. The ratio is also a good indication of the effectiveness of credit control procedures within the Municipality. If the ratio is above the norm, it indicates that the Municipality is exposed to significant cash flow risk. This is also an indication that the municipality is experiencing challenges in the collection of outstanding amounts due to it. In addition, this indicates that a significant amount of potential cash is tied up in consumer debtors and the municipality must improve its revenue and cash flow management.

The norm is 30 Days

Table 11

Description	2015/16	2014/15
Debtors collection period (days)	31	51
Consumer debtors*365	19 203 979 713	28 761 625 787
Rates revenue + Services revenue + Debtors income	610 950 322	562 674 831

Interpretation of Results

The municipality operates outside the norm. The ration has improved measured against the result of the last financial year. The reason for the improvement in the collection period is due to the council decision to write off all outstanding debt on residential property values less than R65 000 and vacant erven values less than R50 000.

b) Level of reliance on government grants

Purpose/ Use of the Ratio and Norm

The Ratio measures the extent to which the municipality's Expenditure is funded through Government grants and subsidies.

No norm is proposed at this time by National Treasury. It must be mentioned that National Treasury does promote a healthy balance of funding sources.

Table 12

Description	2015/16	2014/15
Level of reliance on government grants	15.9%	15.8%
Government Grants and subsidies	139 951 218	126 464 647
Total Revenue	879 039 940	802 346 955

Interpretation of Results

The results indicates that the municipality is not dependent on grant funding to run its normal operations.

c) Implementation of the Capital program

Purpose/ Use of the Ratio and Norm

This ratio measures the extent to which Budgeted Capital Expenditure has been spent during the financial year, under review. Further, this ratio measures the municipality's ability to implement capital projects and monitor the risks associated with non-implementation. The ratio also assesses whether the municipality has effective controls in place to ensure that expenditure is incurred in accordance with an approved budget. Any variance above 5% indicates discrepancies in planning and budgeting which should be investigated and corrective measures implemented. Under-spending is also an indicator that the Municipality might be experiencing possible cash flow difficulties to implement projects. Ideally, under-spending should be the result of improved efficiencies and not as a result of non-implementation of programs and/or projects. Overspending may also indicate inaccurate budgeting or poor financial management control.

The norm range between 0% and 5% variance

Table 13

Description	2015/16	2014/15
Actual versus Budgeted Capital Expenditure	-8.7%	-18.9%
Actual Capital Expenditure - Budgeted Capital Expenditure	-13 966 294	-27 873 724
Budgeted Capital Expenditure	160 989 562	147 548 352

Interpretation of Results

The Municipality is functioning outside the norm. The main reasons for underspending on capital expenditure are due to housing project progress delays due to issues pertaining to electrification of shacks, late transfer of funds from DOHS and unavailability of adequate labor and inclement weather conditions.

d) Implementation: Operational Revenue

Purpose/ Use of the Ratio and Norm

This ratio measures the extent of actual operating revenue (Excl. Capital Grant Revenue) received in relation to budgeted operating revenue during the financial year, under review. A ratio outside the norm indicates either a challenge in capacity to implement, ineffective billing and credit control, weakness in compilation of budgets or issues of financial controls and management of the Municipality.

The norm range between 0% and 5% variance.

Table 14

Description	2015/16	2014/15
Actual revenue VS budgeted revenue	0.5%	-2.5%
Actual Revenue - Budgeted Revenue	4 458 585	-20 710 643
Budgeted Revenue	874 581 355	823 057 598

Interpretation of Results

The Municipality is functioning within the norm.

e) Implementation: Operational Expenditure

Purpose/ Use of the Ratio and Norm

This ratio measures the extent to which Budgeted Operating Expenditure has been spent during the financial year, under review. The ratio also assesses whether the municipality has effective controls in place to ensure that expenditure is incurred in accordance with an approved budget. Any variance outside the norm either indicate a challenge in capacity to implement, issues of financial controls and management and/or poor budgeting.

Under-spending normally is an indicator that the Municipality experiences possible cash flow difficulties or capacity challenges to undertake budgeted/ planned service delivery, and/ or does not prepare accurate and credible budgets. Ideally, under-spending should be the result of improved efficiencies and not as a result of non-implementation of programs and/or projects. Overspending may also indicate inaccurate budgeting or poor financial management control in respect of budget control.

The norm range between 0% and 5% variance

Table 15

Description	2015/16	2014/15
Actual operating expenditure VS budgeted operating expenditure	-4.1%	-6.2%
Actual Expenditure - Budgeted Expenditure	-33 512 380	-47 024 182
Budgeted Expenditure	825 306 763	763 793 825

Interpretation of Results

The Municipality is functioning within the norm. The main reason for underspending on the operating expenditure budget are the slow progress on expenditure on top structures.

LIQUIDITY POSITION OF MUNICIPALITY

3.1 Liquidity

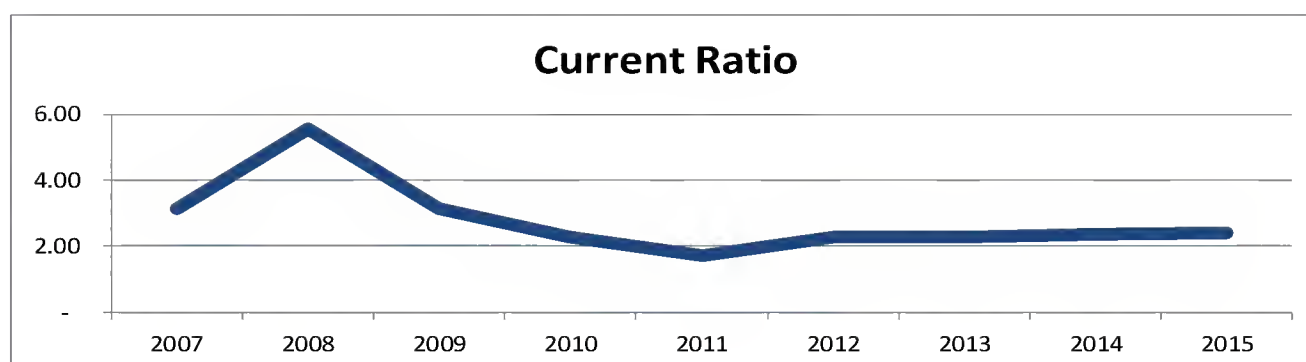
There are two main liquidity ratios that can be used to analyse the liquidity position of the Municipality, namely the Current and Acid Test ratios. There are various other liquidity ratios that can be utilised to assess the Municipality's liquidity position.

The calculation of these ratios is as follows:

RATIO DESCRIPTION	FORMULA	2015/16	2014/15
<u>Current ratio</u>	Current Assets	447 461 648	433 256 918
	Current Liabilities	168 533 990	181 308 255
		2.7	2.4
<u>Acid Test ratio</u>	Current Assets – Inventory	425 550 695	402 270 011
	Current Liabilities	168 533 990	181 308 255
		2.5	2.2
<u>Turnover of accounts receivable</u>	Revenue (credit)	609 981 745	564 138 177
	Accounts receivable	67 887 109	89 816 282
		9.0	6.3
<u>Debt to cash</u>	Total Liabilities	390 653 568	380 956 779
	Cash balance at end of period	339 310 039	319 252 041
		1.2	1.2

The above ratios show that the Municipality is in a very liquid position, with current assets of double the current liabilities. The ratio for the year under review has improved slightly compared to the 2014/15 financial year. The Municipality generates 9.0 times more revenue than what the outstanding accounts are. The debtors' collection period (for debtors in arrears) has improved from 51 days in 2014/15 to 31 days in the 2015/16 year.

The following graph shows the history and the current year ratio for the municipality:



4 OPERATING RESULTS

4.1 Summary of Results

Details of the operating results per segmental classification are included in Appendix B and C, while operational results per category, together with an explanation of significant variances of more than 10 per cent from the final budget, are included in the Statement of Comparison of Budget and Actual amounts.

These amounts are based on the total position of the municipality (including non-cash transactions):

DESCRIPTION	Actual 2015/16	Actual 2014/15	Variance	Adjusted Budget 2015/16	Variance
INCOME					
Opening surplus/(deficit)	2 293 282 532	2 272 129 826	0.9%		
Operating income for the year	879 039 940	802 346 955	9.6%	874 581 355	0.5%
Appropriations for the year	3 783 800	(64 424 605)			
	3 176 106 273	3 010 052 176	5.5%	874 581 355	263.2%
EXPENDITURE					
Operating expenditure for the year	791 794 383	716 769 643	10.5%	825 306 763	-4.1%
Sundry transfers	-	-	-		
Closing surplus/(deficit)	2 384 311 890	2 293 282 532	4.0%	49 274 592	
	3 176 106 273	3 010 052 176	5.5%	874 581 355	263.2%

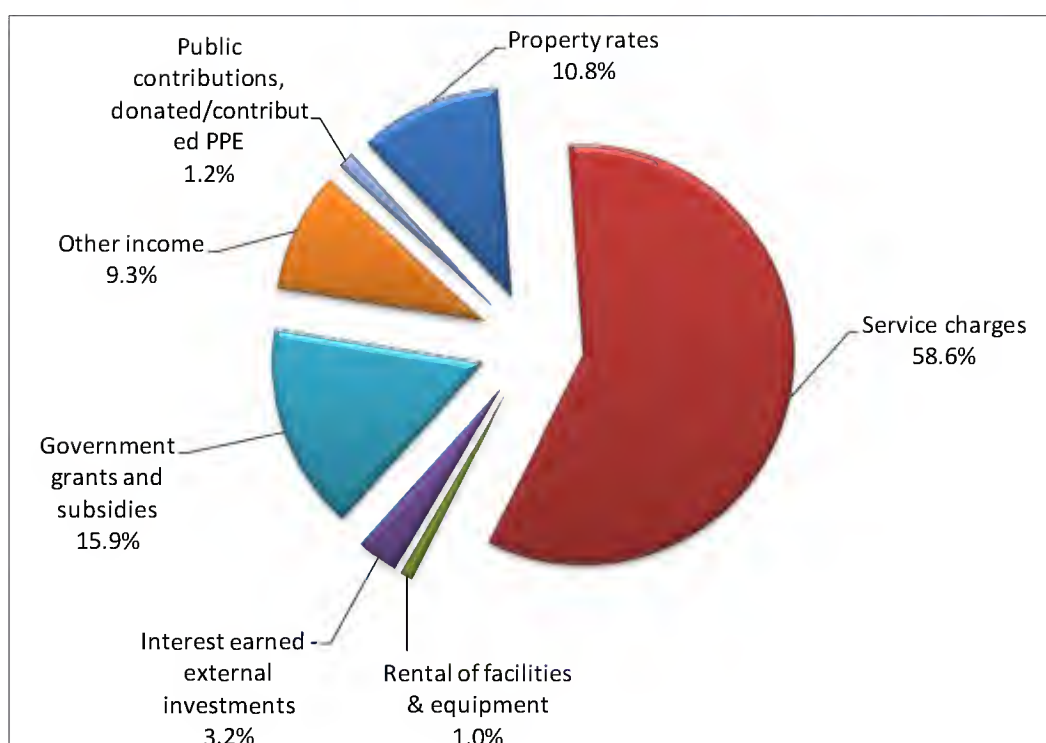
The accumulated surplus at 30 June 2016 amounted to R 2 384.3 million. The accumulated surplus of R 2 025.5 million at 30 June 2015 was restated with previous year corrections of R 267.8 million, amounting to R 2 293.3 million. From the 2014/15 financial year the accumulated surplus increased with R 91.0 million or 5.5% to the 2015/16 financial year.

The operating income increased by 9.6% to R 879.0 million from the previous financial year's income of R 802.3 million. The main contributor to this is the decrease in Actuarial Gains, whilst Service charges increased. The operating expenditure increased by 10.5% to R 791.8 million. This increase is mainly due to the Eskom increase in electricity purchases.

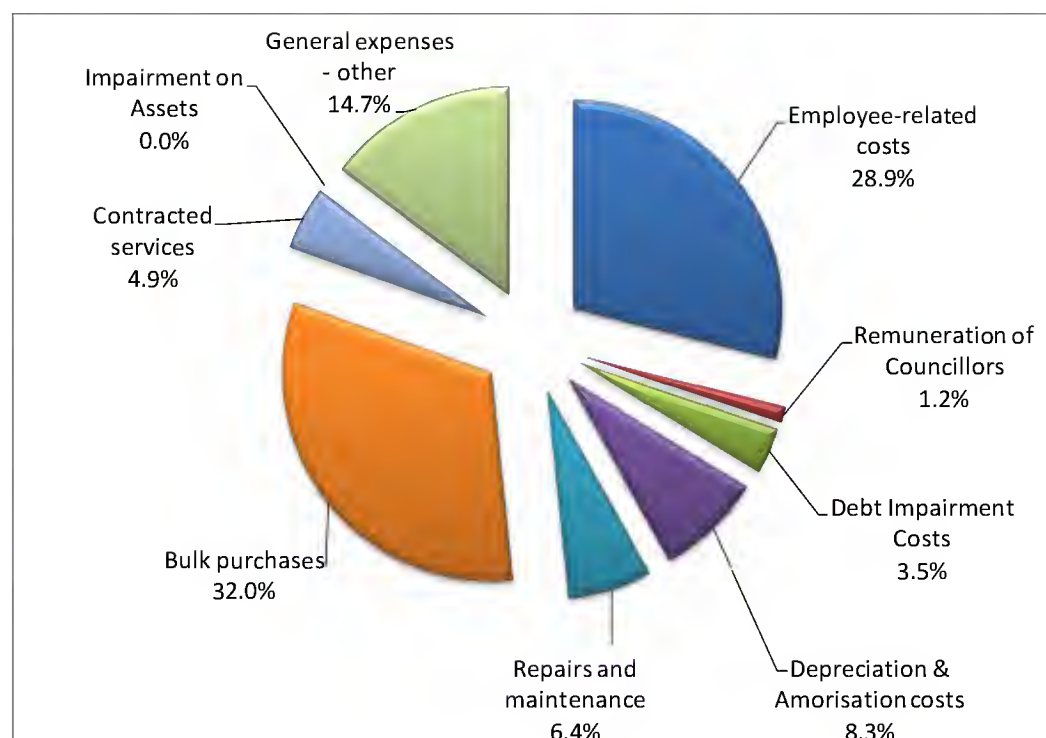
The Municipality's financial statements ended on a of million. It must, however, be taken into account that various non-cash transactions are included in this.

4.2 Operating Revenue and Expenditure

The following graph indicates the Municipality's major revenue sources for the year under review:



The following graph indicates the Municipality's major types of expenditure for the year under review:



4.3 Rates and General Services

DESCRIPTION	Actual 2015/16	Actual 2014/15	Variance	Adjusted Budget 2015/16	Variance
Income	380 047 956	350 949 310	8.3%	399 174 917	-4.8%
Expenditure	419 992 561	384 011 942	9.4%	449 399 132	-6.5%
Surplus/(deficit)	(39 944 606)	(33 062 632)	20.8%	(50 224 215)	-20.5%
Surplus/(deficit) as % of total income	-10.5%	-9.4%		-12.6%	

Variance from 2014/15 Actual:

The deficit with regards to Rates and other General services amount to R 39.9 million for the 2015/16 financial year and the 2014/15 financial year's deficit was -R 33.1 million, due to the actuarial gains of R74.5 million recognised.

Variance from 2015/16 Budget:

The total actual income is 4.8% less than the budgeted amount of R 399.2 million for the 2015/16 financial year. The expenditure is 6.5% less than the budgeted amount of R 449.4 million.

4.4 Trading Services

The Municipality purchases electricity in bulk from Eskom and then redistributes it to the consumers. The electricity tariffs are considered together with all other tariffs during the compilation of the operational budget. Any increase in the electricity tariffs must be approved by the National Electricity Regulator before the Municipality can implement it. Eskom normally adjusts its tariffs in January of every year but the Municipality endeavours to limit its increase to only one increase during July every year. The Municipality has some of its own water sources and also purchases water from the Department of Water Affairs, which is then supplied from the Klipheuwel Dam and the Wolwedans Dam.

4.4.1 Electricity

DESCRIPTION	Actual 2015/16	Actual 2014/15	Variance	Adjusted Budget 2015/16	Variance
Income	386 468 224	345 380 566	11.9%	375 016 481	3.1%
Expenditure	298 174 920	260 939 533	14.3%	299 629 722	-0.5%
Surplus/(deficit)	88 293 304	84 441 033	4.6%	75 386 759	17.1%
Surplus/(deficit) as % of total income	22.8%	24.4%		20.1%	

Variance from 2014/15 Actual:

The Electricity service showed a surplus for both the 2014/15 and the 2015/16 financial years, with an increase of 4.6% between the two years. The surplus of R 88.3 million for the 2015/16 financial year represents a profit of 22.8%. A profit of 24.4% was realised in the 2014/15 financial year.

Variance from 2015/16 Budget:

The total actual income is 3.1% more than the budgeted amount of R 375.0 million for the 2015/16 financial year. The expenditure is 0.5% less than the budgeted amount of R 299.6 million.

4.4.2 Water

DESCRIPTION	Actual 2015/16	Actual 2014/15	Variance	Adjusted Budget 2015/16	Variance
Income	112 523 761	106 017 078	6.1%	100 389 957	12.1%
Expenditure	73 626 902	71 818 168	2.5%	76 277 909	-3.5%
Surplus/(deficit)	38 896 859	34 198 911	13.7%	24 112 048	61.3%
Surplus/(deficit) as % of total income	34.6%	32.3%		24.0%	

Variance from 2014/15 Actual:

The Water service showed a surplus for both the 2014/15 and 2015/16 financial years. The surplus increased by 13.7% from the previous year. The surplus of R 38.9 million for the 2015/16 financial year represents a profit of 34.6%, whereas a profit of 32.3% was realised in the 2014/15 financial year.

Variance from 2015/16 Budget:

The total actual income is 12.1% more than the budgeted amount of R 100.4 million for the 2015/16 financial year, while the expenditure is 3.5% less than the budgeted amount of R 76.3 million.

5 CAPITAL EXPENDITURE AND FINANCING

The capital expenditure for the year as stated in the financial statements amounted to R 147 023 268 and was financed as follows:

<i>SERVICE AREA</i>	<i>2015/16 Actuals</i>	<i>% of Total Capital Expenditure</i>
<i>Community services/facilities</i>	6 693 419	4.6%
<i>Electricity</i>	23 937 540	16.3%
<i>Housing</i>	22 013 698	15.0%
<i>Refuse</i>	1 969 115	1.3%
<i>Sanitation</i>	19 101 745	13.0%
<i>Streets and Storm water</i>	42 649 070	29.0%
<i>Water</i>	18 795 705	12.8%
<i>Other</i>	11 862 976	8.1%
<i>TOTAL</i>	<u>147 023 268</u>	<u>100.0%</u>

The capital expenditure was financed as follows:

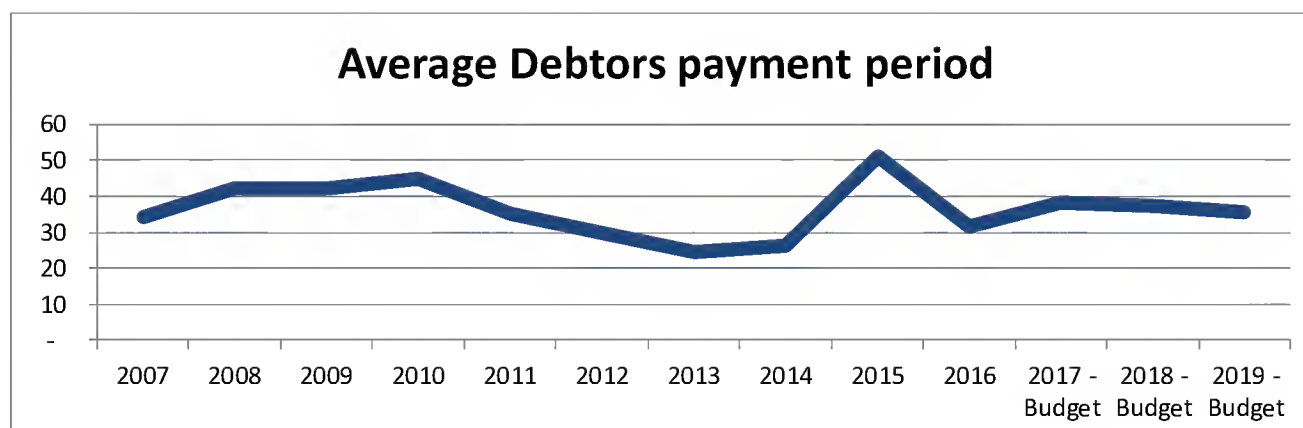
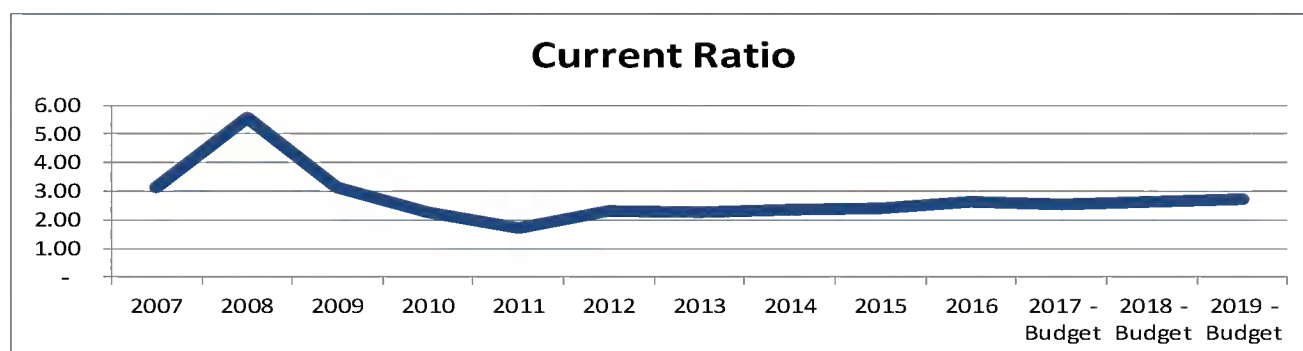
<i>SOURCE OF FINANCE</i>	<i>2015/16 Actuals</i>	<i>% of Total Capital Funding</i>
<i>Capital Replacement Reserve</i>	79 852 611	54.3%
<i>Grants and Subsidies</i>	53 802 497	36.6%
<i>Public contributions</i>	263 978	0.2%
<i>Other</i>	13 104 182	8.9%
<i>TOTAL</i>	<u>147 023 268</u>	<u>100.0%</u>

Property, Plant and Equipment is funded to a large extent from the Capital Replacement Reserve.

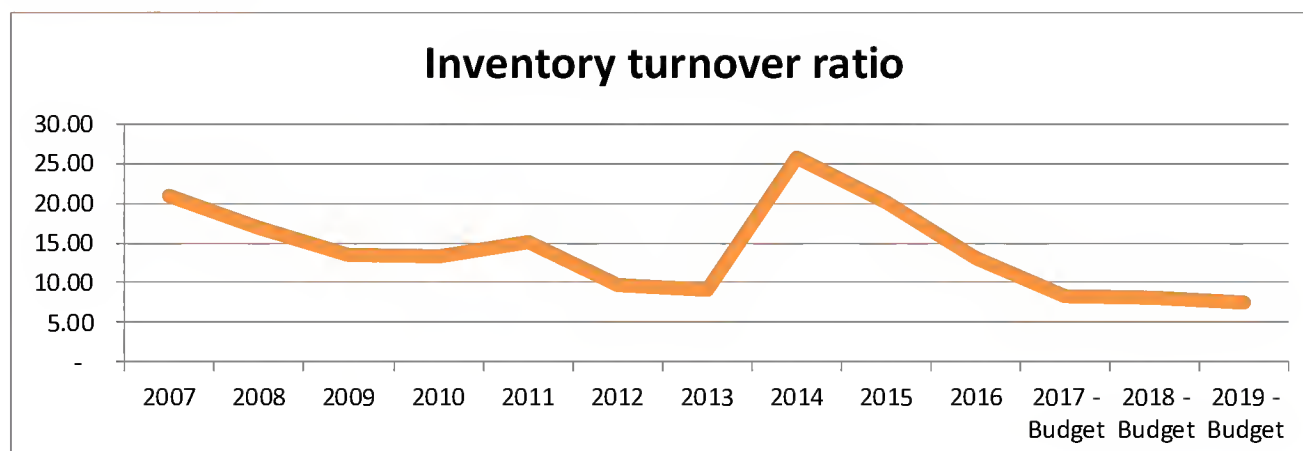
6 FINANCIAL SUSTAINABILITY

Financial sustainability refers to financial accounts which reflect sufficient revenue and adequate corporate stability in order to fund and deliver on service delivery and performance targets. Following are a few graphs on various financial ratios that show the past 7 years' information, the current year information and the 3 budget years' information:

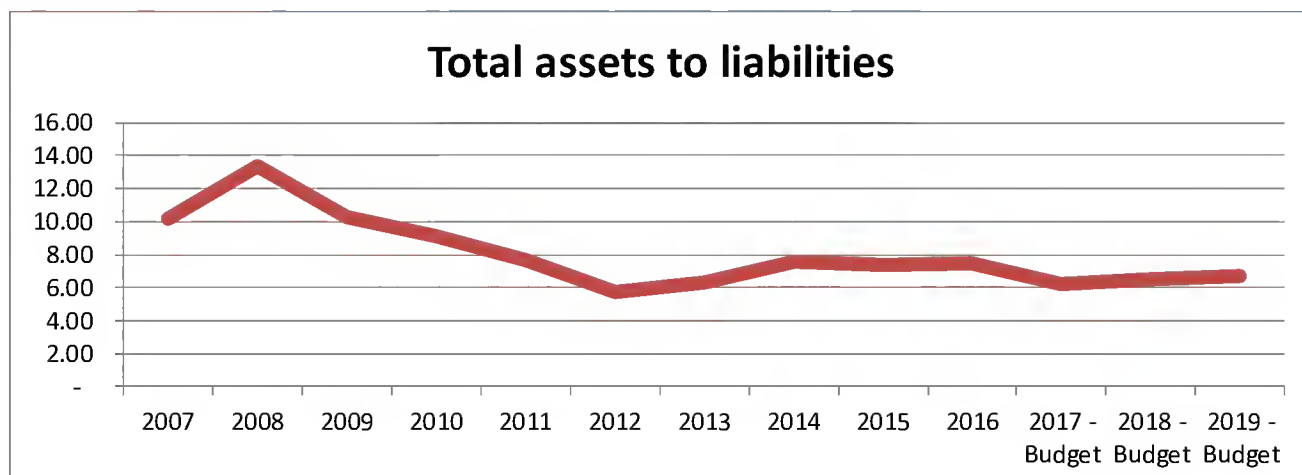
LIQUIDITY MEASUREMENT RATIOS



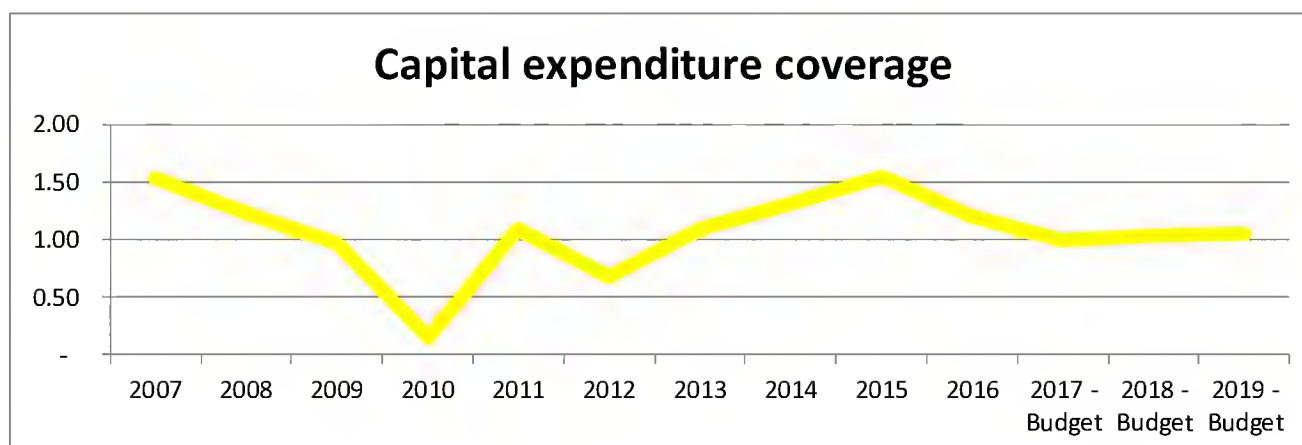
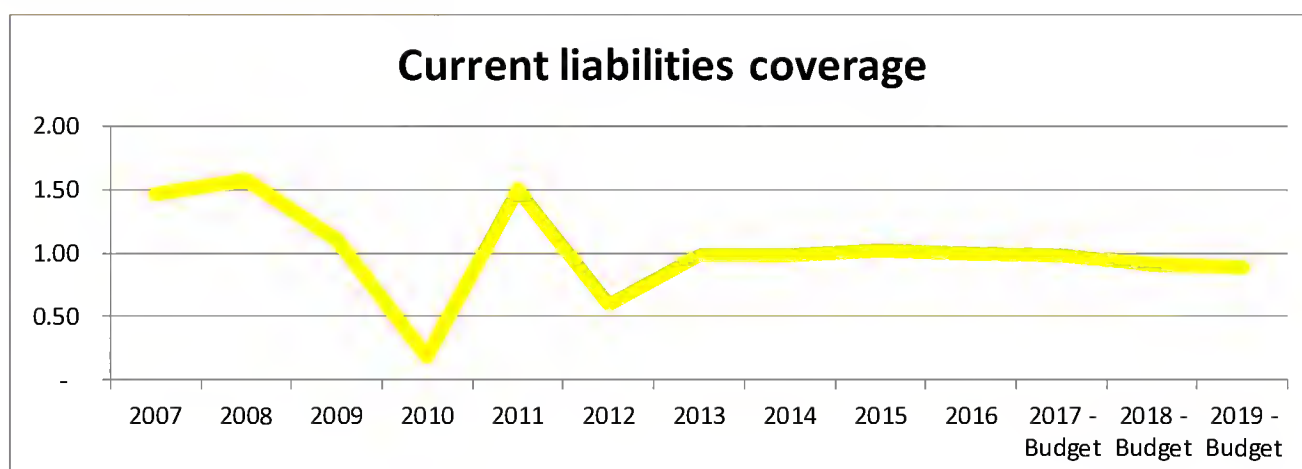
ACTIVITY RATIOS



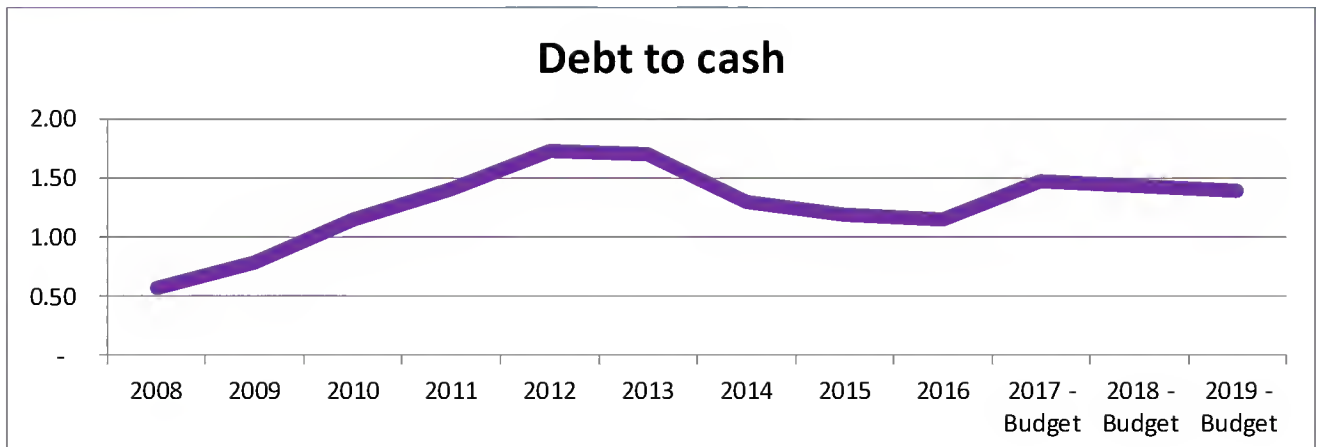
SOLVENCY RATIOS



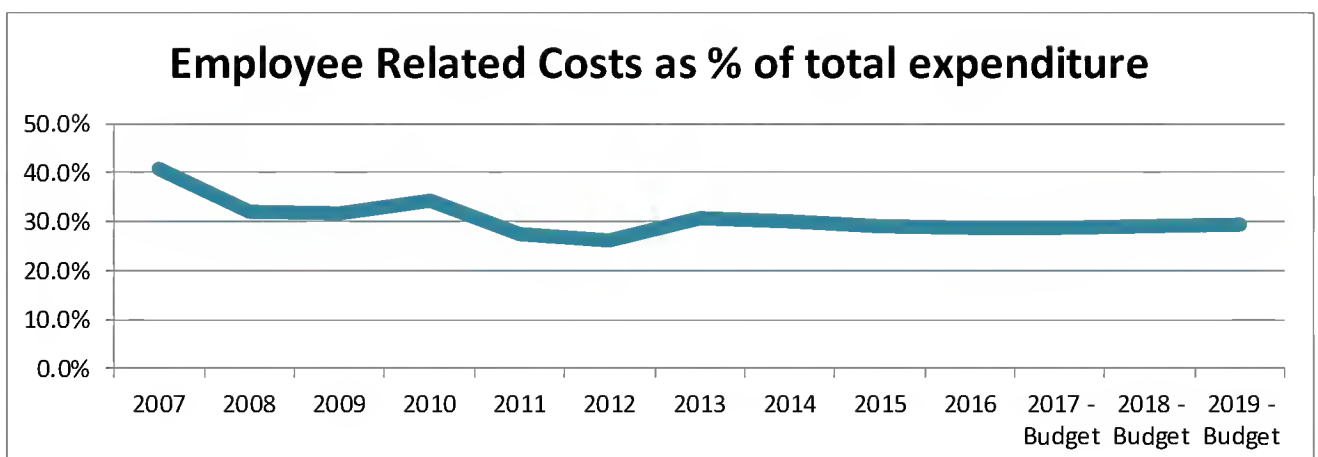
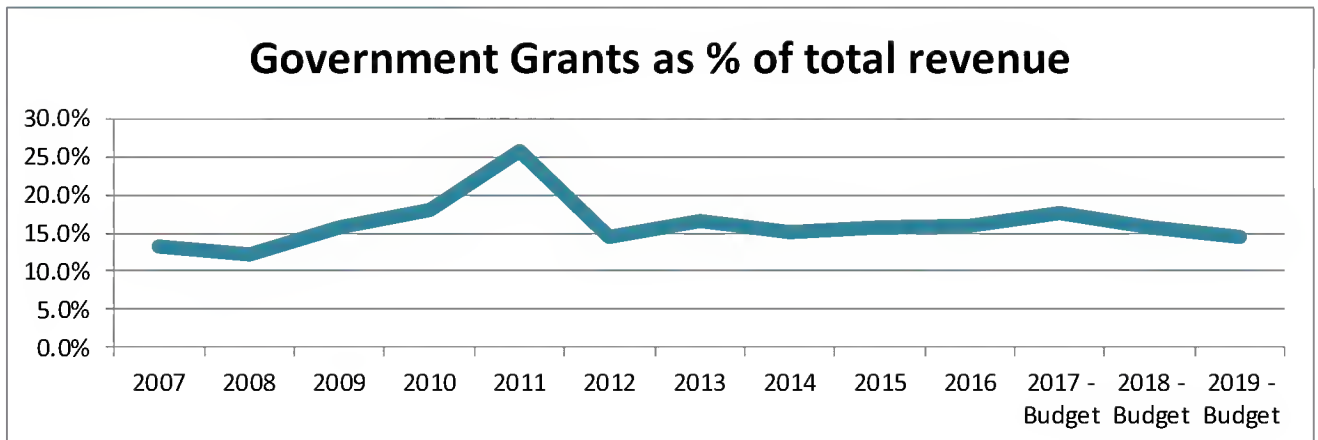
CASH FLOW INDICATOR RATIOS



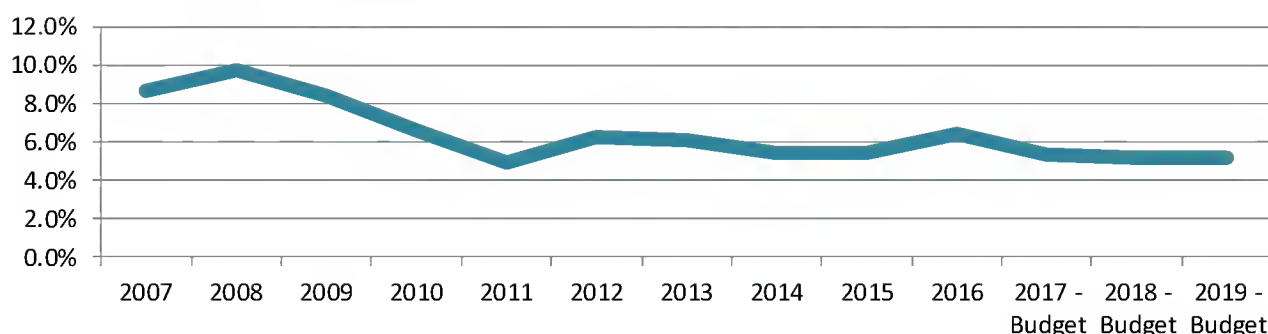
DEBT RATIOS



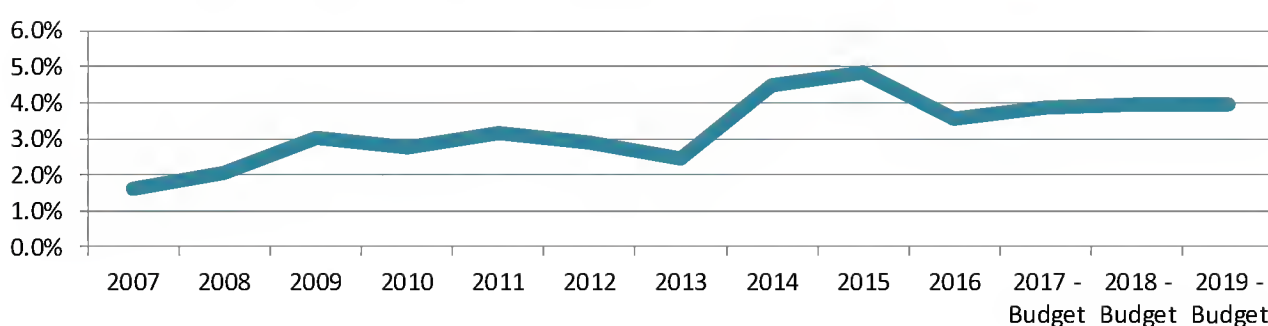
INCOME & EXPENDITURE TRENDS



Repairs & Maintenance as % of total expenditure



Debt Impairment costs as % of total expenditure



7 CAPITAL REPLACEMENT RESERVE

The Capital Replacement Reserve balance at 30 June 2016 amounted to R 126 575 281 (R 129 630 102 as at 30 June 2015).

The Capital Replacement Reserve replaces the previous statutory funds, such as the Consolidated Capital Development and Loans Fund. It is a cash-backed reserve established to enable the Municipality to finance future capital expenditure. Cash contributions, depending on the availability thereof, are made annually to the reserve.

The Municipality, in conjunction with its own capital requirements and external funds (external loans and grants) is able to finance its annual infrastructure capital programme.

Refer to the Statement of Changes in Net Assets for more detail.

8 EXTERNAL LOANS, INVESTMENTS AND CASH

On 30 June 2016 the outstanding external loans amounted to R 26 800 000 (R 24 000 000 on 30 June 2015). The municipality has repaid R 2 752 377 towards the loan of R 30 million taken up during the 2011/12 financial year.

The Municipality's cashbook showed a positive balance of R 8 985 565 (R 29 135 673 on 30 June 2015) and Petty Cash to the amount of R 18 460 (R 18 960 on 30 June 2015) on 30 June 2016. The external investments amounted to R 330 306 013 against the R 290 097 408 of the previous year.

More particulars regarding external loans and investments appear in Notes 5 and 25 of the Annual Financial Statements, as well as Appendix A.

9 NON-CURRENT PROVISIONS

These provisions are made in order to enable the Municipality to be in a position to fulfil its known legal obligations when they become due and payable.

Non-current provisions amounted to R 90 264 481 as at 30 June 2016 (R 79 606 622 as at 30 June 2015) and are made up as follows:

Rehabilitation of Landfill Sites	R 71 202 727
Clearing of Alien Vegetation	<u>R 19 061 754</u>
	<u>R 90 264 481</u>

Refer to Note 6 of the Annual Financial Statements for more detail.

10 LIQUIDITY REQUIREMENTS

The table below shows the allocation of the investment portfolio towards the funding of various obligations:

Table 10

Liquidity Requirement as per Liquidity Policy

Financial Year End: **30 June 2016**

	2015/16 R
Liquidity Requirement Calculation [as stipulated in Paragraph 4.1.]	
All earmarked and/or conditional grants received but not yet utilised	R 20 756 394
Value of the provisions held in cash for the clearing of alien vegetation and the rehabilitation of landfill sites to the extent that these funds are required within the following 5 years	R 72 265 027
Value of legally entrenched short term rights and benefits of employees related to Medical benefits & Retirement benefits	R 22 636 941
Unspent Loan Funds	R 3 459
Funds held for agency services not yet performed	R (510 571)
Reserve funds reflected in Statement of Financial Position that are assumed to be held in cash	R 126 596 841
Capital redemption and interest payments on external loans not reflected as part of normal operational expenditure	R 2 752 377
1 months operational expenditure excluding non-cash items	R 55 596 595
Consumer Deposits	R 20 844 433
Other Deposits and Other Advance Payments:	
- Retentions	R 8 508 867
- Payments Received in Advance	R 23 776 134
- Other Deposits	R 3 212 240
Non-current Deposit: Pavilion	R 262 092
Commitments resulting from contracts concluded as part of Capex Programme, not reflected in operational budget	
TOTAL LIQUIDITY REQUIREMENT	R 356 700 828

Actual available liquidity held [reference paragraph 4.2.]

Bank Balance at e.g.:	
- ABSA, FNB, Standard Bank, Nedbank, Investec, Money Market	
Bank balance sub total	R 9 004 025
95% of all other term investments with Banks	R 313 790 713
90% of Market value of all Bonds on the JSE that are held	R -
Consumer debtors (current – 60 days)	R 36 520 949
Other reserves held in cash not reflected in bank balances mentioned above for e.g.:	
- Unspent conditional grants	R -
- Payments received for agency functions not yet performed	R -
- The cash value of reserves held	R -
- Cash deposits held as part of loan covenants or ceded	R -
- Undrawn bank overdraft facility or committed liquidity lines available	R -
TOTAL LIQUIDITY AVAILABLE	R 359 315 687

LIQUIDITY SURPLUS (SHORT FALL)

R 2 614 859

SURPLUS THAT COULD BE APPROPRIATED TO CAPITAL REPLACEMENT RESERVE

R -

(See Borrowing, Funds and Reserves Policy)

11 EMPLOYEE BENEFITS

These liabilities are in order to enable the municipality to be in a position to fulfil its known legal obligations with regards to employee benefits when they become due and payable.

The non-current portion of the employee benefits liability amounted to R 107 095 000 as at 30 June 2016 (R 96 664 000 as at 30 June 2015) and is made up as follows:

Post-Employment Health Care Benefits	R 92 076 000
Ex-Gratia Gratuities	R 1 346 000
Long Service Awards	<u>R 13 673 000</u>
	<u>R 107 095 000</u>

Refer to Note 7 of the Annual Financial Statements for more detail.

12 CURRENT LIABILITIES

Current Liabilities are those liabilities of the Municipality due and payable in the short term (less than 12 months). No indication is found that the Municipality would be unable to meet its obligations. Current Liabilities amounted to R 168 533 990 as at 30 June 2016 (R 181 308 255 as at 30 June 2015) and are made up as follows:

Consumer deposits	Note 9	R 20 844 433
Provisions	Note 10	R 1 000 000
Current portion of Employee benefits	Note 11	R 24 533 140
Payables from Exchange transactions	Note 12	R 96 632 826
Unspent conditional grants and receipts	Note 13	R 20 756 394
Operating Lease Liability	Note 27	R 1 345 487
Current portion of Finance Lease Liabilities	Note 4	R 453 947
Current portion of Long-term Liabilities	Note 5	<u>R 2 967 763</u>
		<u>R 168 533 990</u>

13 CURRENT ASSETS

Current Assets amounted to R 447 461 648 as at 30 June 2016 (R 433 256 918 as at 30 June 2015) and is made up as follows:

Inventory	Note 22	R 21 910 953
Trade receivables from Exchange	Note 23	R 62 226 762
Other receivables from Non-Exchange	Note 24	R 15 352 905
Current portion of long-term receivables	Note 20	R 360 849
Unpaid conditional grants and receipts	Note 13	R 2 515 000
VAT receivable	Note 14	R 5 603 034
Cash and Cash Equivalents	Note 26	R 339 310 039
Operating Lease Assets	Note 27	<u>R 182 106</u>
		<u>R 447 461 648</u>

14 TRADE AND OTHER RECEIVABLES FROM EXCHANGE AND NON-EXCHANGE TRANSACTIONS

The net balance of Trade and Other receivables from Exchange transactions is indicated below:

DEBTOR	As at 30 June 2015	As at 30 June 2016	Variance
Service debtors:	51 484 225	50 425 236	-2.1%
- Electricity	30 940 063	32 689 764	5.7%
- Water	11 909 517	12 116 977	1.7%
- Refuse	3 488 674	2 389 828	-31.5%
- Sewerage	5 145 971	3 228 668	-37.3%
Debtpack collections	2 359	3 062	29.8%
Land Sales	1 048	6 173	488.8%
Housing instalments	570 489	949 635	66.5%
Housing rentals	211 915	52 418	-75.3%
Other	8 379 554	10 790 237	28.8%
TOTAL	60 649 589	62 226 762	2.6%

The net balance of Other receivables from Non-Exchange transactions is indicated below:

DEBTOR	As at 30 June 2015	As at 30 June 2016	Variance
Rates	5 461 515	5 716 935	4.68%
Traffic Fines	941 446	3 881 077	312.25%
Payments made in advance	2 337 719	2 491 477	6.58%
Other	2 784 571	3 263 416	17.20%
TOTAL	11 525 251	15 352 905	33.21%

The Municipality has written off bad debts to the amount of R 31 064 034 during the financial year.

EXPRESSION OF APPRECIATION

I am grateful to the Executive Mayor, Executive Deputy Mayor, members of the Executive Committee, Councillors, the Municipal Manager and Directors for the support extended during the financial year. I would also like to extend a special word of thanks to all staff who assisted with the collation of year-end information, and specific the staff of the Budget and Treasury Office. Without their valuable contributions and assistance these Annual Financial Statements would not have been possible.


MK BOTHA
CHIEF FINANCIAL OFFICER

Date: 31 August 2016

REPORT OF THE AUDITOR-GENERAL

The Audit Report of Mossel Bay Municipality will be added on completion of the audit process.

STATEMENT OF FINANCIAL POSITION

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2016

	Note	2016 R	2015 R
NET ASSETS AND LIABILITIES			
Net assets		2 510 908 731	2 423 663 173
Housing development fund	2	21 560	750 539
Reserves	3	126 575 281	129 630 102
Capital replacement reserve		126 575 281	129 630 102
Accumulated surplus		2 384 311 890	2 293 282 532
Non-current liabilities		222 119 578	199 648 523
Employee benefits	7	107 095 000	96 664 000
Non-current provisions	6	90 264 481	79 606 622
Finance Lease liability	4	332 280	782 446
Other Long-term liabilities	5	24 165 725	22 343 864
Non-current deposits	8	262 092	251 591
Current liabilities		168 533 990	181 308 255
Consumer deposits	9	20 844 433	19 455 002
Provisions	10	1 000 000	1 240 936
Current Employee benefits	11	24 533 140	23 304 123
Payables from Exchange transactions	12	96 632 826	99 533 905
Unspent conditional grants and receipts	13	20 756 394	33 914 212
VAT Payable	14	-	-
Cash and cash equivalents	25	-	-
Operating Lease Liability	26	1 345 487	1 053 023
Current portion of Finance lease liability	4	453 947	687 361
Current portion of other long-term liabilities	5	2 967 763	2 119 693
Total Net Assets and Liabilities		2 901 562 299	2 804 619 952
ASSETS			
Non-current assets		2 454 100 650	2 371 363 034
Property, plant and equipment	15	1 832 014 537	1 761 054 287
Biological Assets	16	-	-
Intangible Assets	17	651 525	267 117
Investment Property	18	604 254 910	605 587 548
Heritage assets	19	4 225 599	4 225 599
Long-term receivables	20	307 493	228 483
Investments	24	12 646 586	-
Current assets		447 461 648	433 256 918
Inventory	21	21 910 953	30 986 907
Receivables from Exchange transactions	22	62 226 762	60 649 589
Other receivables from non-exchange transactions	23	15 352 905	11 525 251
Current portion of long-term receivables	20	360 849	404 057
Unpaid conditional grants and receipts	13	2 515 000	155 677
VAT Receivable	14	5 603 034	10 057 420
Cash and Cash equivalents	25	339 310 039	319 252 041
Operating Lease Assets	26	182 106	225 977
Total Assets		2 901 562 299	2 804 619 952

Note: Refer to Note 41.13 for details regarding the restatement of previous year balances.

STATEMENT OF FINANCIAL PERFORMANCE

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2016

Budget				Actual	
2015 R	2016 R		Note	2016 R	2015 R
REVENUE					
302 569 891	298 852 547	Revenue from Non-exchange Transactions		273 194 225	246 991 085
88 752 397	94 461 971	<i>Taxation revenue</i>		94 874 776	88 363 481
88 752 397	94 461 971	Property rates	27	94 874 776	88 363 481
187 190 914	177 934 592	<i>Transfer revenue</i>		150 858 158	130 674 074
185 325 444	175 355 704	Government grants and subsidies	29	139 951 218	126 464 647
1 865 470	2 578 888	Public contributions, donated and contributed PPE	31	10 906 940	4 209 428
26 626 580	26 455 984	<i>Other non-exchange revenue</i>		27 461 291	27 953 530
26 126 580	25 955 984	Fines		26 633 967	25 477 840
500 000	500 000	Actuarial gains		827 323	2 475 690
520 487 707	575 728 808	Revenue from Exchange Transactions		605 845 716	555 355 870
1 550 000	478 760	Property rates-penalties imposed & collection charges	28	365 338	1 660 718
447 248 755	494 285 192	Service charges		514 741 631	474 113 979
15 208 530	7 800 320	Rental of facilities and equipment		8 537 009	13 961 186
14 226 200	22 017 354	Interest earned - external investments		28 187 131	20 167 960
187 310	1 240 457	Interest earned - outstanding debtors		1 333 916	197 372
5 280 220	5 735 635	Licences and permits		6 125 410	5 644 847
112 000	12 665	Gain on de-recognition of Assets		827 526	1 486 103
500 000	500 000	Gain on Fair Value adjustment of Investment Property and Biological assets		-	-
36 174 692	43 658 425	Other income	30	45 727 754	38 123 706
823 057 598	874 581 355	Total Revenue		879 039 940	802 346 955
EXPENDITURE					
219 594 983	232 853 139	Employee related costs	32	228 749 097	209 058 666
9 392 434	9 952 980	Remuneration of Councillors	33	9 713 125	9 193 967
41 130 000	30 377 645	Debt Impairment Costs	34	28 025 300	34 586 668
6 341 833	6 033 346	Collection costs		5 415 344	4 988 497
60 437 986	69 384 704	Depreciation	35	65 514 907	59 264 063
19 099	8 038	Amortisation - Intangible Assets	35	71 576	57 061
1 500 000	1 500 000	Actuarial losses		3 716 946	-
42 471 697	55 506 710	Repairs and maintenance		51 050 444	38 885 753
2 818 830	2 625 720	Finance costs	36	6 236 695	5 818 490
220 718 820	255 600 000	Bulk purchases	37	253 667 481	217 438 641
40 909 135	40 805 362	Contracted services	38	38 445 644	38 750 701
1 177 428	1 246 499	Grants and subsidies paid	39	1 164 351	1 128 893
114 527 680	97 031 027	General expenses	40	91 511 576	91 658 629
-	-	Impairment on Assets		-	1 363 370
1 253 900	20 881 593	Loss on de-recognition of Assets		8 511 895	4 576 245
1 500 000	1 500 000	Loss on Fair Value adjustment of Investment Property and Biological assets		-	-
763 793 825	825 306 763	Total Expenditure		791 794 383	716 769 643
59 263 773	49 274 592	SURPLUS/(DEFICIT) FOR THE YEAR		87 245 558	85 577 311

Note: Refer to Note 41.14 for details regarding the restatement of previous year balances.

STATEMENT OF CHANGES IN NET ASSETS

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2016

	Housing Development Fund	Capital Replacement Reserve	Accumulated Surplus / (Deficit)	Total
	R	R	R	R
2015				
Balance at 1 July 2014	722 426	65 233 610	2 272 129 826	2 338 085 862
Prior Year Adjustments (Note 41)			-	-
Change in accounting policy (Note 42)			-	-
Change in accounting estimate (Note 43)			-	-
Restated Balance at 1 July 2014	722 426	65 233 610	2 272 129 826	2 338 085 862
Surplus/(deficit) for the year			85 577 311	85 577 311
Transfer to CRR		143 357 273	-143 357 273	-
Proceeds on de-recognition				-
Contribution from CRR - purchase PPE		-78 960 781	78 960 781	-
Transfer to FDR Government Grants Reserve			-	-
Transfer to FDR Don. and Public Contr. Reserve			-	-
Transfer to Housing Development Fund	28 113		-28 113	-
Transfer from Housing Development Fund	-		-	-
Offsetting of depreciation			-	-
Asset de-recognition			-	-
Balance at 30 June 2015	750 539	129 630 102	2 293 282 532	2 423 663 173
2016				
Previous Year Adjustments (Note 41)			-	-
Change in accounting policy (Note 42)			-	-
Change in accounting estimate (Note 43)			-	-
Restated balance at beginning of the year	750 539	129 630 102	2 293 282 532	2 423 663 173
Surplus/(deficit) for the year			87 245 558	87 245 558
Transfer to CRR		78 186 735	-78 186 735	-
Proceeds on derocognition				-
Contribution from CRR - purchase PPE		-81 241 556	81 241 556	-
Transfer to FDR Government Grants Reserve			-	-
Transfer to FDR Don. and Public Contr. Reserve			-	-
Transfer to Housing Development Fund	13 583		-13 583	-
Transfer from Housing Development Fund	-742 562		742 562	-
Offsetting of depreciation			-	-
Asset de-recognition			-	-
Balance at 30 June 2016	21 560	126 575 281	2 384 311 890	2 510 908 731

Note: Previous year adjustments (Note 41) are reflected in the surplus of the 2014/15 financial year. Prior year adjustments are reflected in the statement above.

CASH FLOW STATEMENT

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 R	2015 R
CASH FLOW FROM OPERATING ACTIVITIES			
<u>Receipts:</u>		838 952 870	769 939 296
Ratepayers		616 760 459	530 377 070
Government - Operating		83 893 996	102 435 740
Government - Capital		40 917 155	47 459 452
Other		97 381 260	89 667 033
<u>Payments:</u>		708 652 038	592 236 103
Suppliers		370 248 276	298 108 560
Employees		215 271 625	196 637 424
Other		123 132 136	97 490 119
Cash generated from/(utilised in) operations	46	130 300 833	177 703 192
Interest received		29 521 047	20 365 332
Interest paid	36	(2 692 500)	(2 776 215)
Net cash from operating activities		157 129 379	195 292 309
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Capital Assets		(147 023 268)	(119 674 628)
Proceeds on de-recognition of Capital Assets		6 283 773	669 207
(Increase)/decrease in long-term receivables	20	281 957	131 141
Net cash from investing activities		(140 457 539)	(118 874 280)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in consumer deposits	9	1 389 430	2 075 554
Proceeds/(repayment) of finance lease liability	4	(683 580)	(976 547)
Proceeds/(repayment) of other long-term liabilities	5	2 680 307	(2 101 479)
Net cash from financing activities		3 386 157	(1 002 472)
Net increase / (decrease) in cash and cash equivalents		20 057 998	75 415 557
Cash and cash equivalents at the beginning of the year		319 252 041	243 836 485
Cash and cash equivalents at the end of the year	25	339 310 039	319 252 041

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

The classification basis on which the annual budget and the annual financial statements were compiled is different. The annual financial statements are classified in terms of GRAP, while the annual budget is classified in terms of National Treasury guidelines. Both are compiled using the accrual basis and the reporting period is the same.

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2016

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	Note	2016 R (Actual)	2016 R (Final Budget)	2016 R (Variance)	Explanations for material variances
NET ASSETS AND LIABILITIES		2 510 908 731	2 204 228 275	306 680 456	
Net assets					
Housing development fund	2	21 560	-	21 560	
Reserves	3	126 575 281	123 954 850	2 620 431	
Capital replacement reserve		126 575 281	123 954 850	2 620 431	Additional contributions were made as a result of higher external services contributions received.
Accumulated surplus		2 384 311 890	2 080 273 425	304 038 465	The change in accounting policy and prior year adjustments had an effect on the actual amount realised. See notes 41 and 42 for more details.
Non-current liabilities		222 119 578	179 749 155	42 370 423	
Employee benefits	7	107 095 000	104 999 000	2 096 000	No budget provision were made for any actuarial losses as this was not foreseen and/or provided for by the Actuaries.
Non-current provisions	6	90 264 481	49 105 102	41 159 379	The prior year adjustment regarding landfill sites, which were unforeseen at budget time, is the cause of the variance.
Finance Lease liability	4	332 280	591 189	(258 909)	
Other Long-term liabilities	5	24 165 725	24 803 864	(638 139)	
Non-current deposits	8	262 092	250 000	12 092	
Current liabilities		168 533 990	156 330 139	12 203 851	
Consumer deposits	9	20 844 433	20 363 975	480 458	
Provisions	10	1 000 000	2 197 059	(1 197 059)	The prior year adjustment regarding landfill sites, which were unforeseen at budget time, is the cause of the variance.
Current Employee benefits	11	24 533 140	24 000 000	533 140	
Payables from Exchange transactions	12	96 632 826	106 056 197	(9 423 371)	Provided for increase in trade payables in budget, which did not realise.
Unspent conditional grants and receipts	13	20 756 394	-	20 756 394	No provision were made for unspent grants, due to the commitment from management to strive to 100% grant expenditure.
VAT Payable	14	-	-	-	
Cash and cash equivalents	25	-	0	-	
Operating Lease Liability	26	1 345 487	1 000 000	345 487	
Current portion of Finance lease liability	4	453 947	600 000	(146 053)	
Current portion of other long-term liabilities	5	2 967 763	2 112 908	854 854	
Total Net Assets and Liabilities		2 901 562 299	2 540 307 569	361 254 729	-

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET (Continued)

	Note	2016 R (Actual)	2016 R (Final Budget)	2016 R (Variance)	Explanations for material variances
ASSETS					
Non-current assets					
		2 454 100 650	2 151 710 480	302 390 170	
Property, plant and equipment	15	1 832 014 537	1 840 420 772	(8 406 234)	The prior year adjustments, which were unforeseen with compilation of the budget, is the cause of the variance.
Biological Assets	16	-	0	(0)	
Intangible Assets	17	651 525	43 426	608 099	
Investment Property		604 254 910	306 693 320	297 561 590	The municipality decided to make use of Directive 11, paragraph 5 in changing their accounting policy relating to Investment Property from the "Fair-value model" to the "Cost model". This change was made at year-end.
Heritage Assets	18				
Long-term receivables	19	4 225 599	4 225 599	-	
Investments	20	307 493	327 364	(19 871)	Budget for long term investments was included under budget for Cash and Cash Equivalents.
	24	12 646 586	-	12 646 586	
		447 461 648	388 597 089	58 864 559	
Current assets					
Inventory	21	21 910 953	20 139 227	1 771 726	Transfer of Housing topstructures to inventory due to the fact that it was not yet transferred to the applicable stakeholder was not included in budget.
Receivables from Exchange transactions	22	62 226 762	61 473 613	753 149	
Other receivables from non-exchange transactions	23	15 352 905	14 546 796	806 109	
Current portion of long-term receivables	20	360 849	374 057	(13 208)	No provision were made for any grants / public contributions to be unpaid at year-end.
Unpaid conditional grants and receipts		2 515 000	-	2 515 000	
VAT Receivable	14	5 603 034	5 000 000	603 034	
Cash and Cash equivalents		339 310 039	286 883 396	52 426 642	Additional funds became available for investment purposes and was invested in line with the Municipality's Cash and Investments policv.
Operating Lease Assets	25				
	26	182 106	180 000	2 106	
Total Assets		2 901 562 299	2 540 307 569	361 254 729	-

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2016

COMPARISON OF APPROVED AND FINAL BUDGET

	2016 R (Approved Budget)	2016 R (Adjustments)	2016 R (Final Budget)	Explanations for material adjustments
NET ASSETS AND LIABILITIES				
Net assets	2 204 228 275	-	2 204 228 275	
Housing development fund	-	-	-	No adjustments were made to the Council Approved Statement of Financial Position.
Reserves	123 954 850	-	123 954 850	
Capital replacement reserve	123 954 850	-	123 954 850	
Accumulated surplus	2 080 273 425	-	2 080 273 425	
Non-current liabilities	179 749 155	-	179 749 155	
Employee benefits	104 999 000	-	104 999 000	
Non-current provisions	49 105 102	-	49 105 102	
Finance Lease liability	591 189	-	591 189	
Other Long-term liabilities	24 803 864	-	24 803 864	
Non-current deposits	250 000	-	250 000	
Current liabilities	156 330 139	-	156 330 139	
Consumer deposits	20 363 975	-	20 363 975	
Provisions	2 197 059	-	2 197 059	
Current Employee benefits	24 000 000	-	24 000 000	
Payables from Exchange transactions	106 056 197	-	106 056 197	
Unspent conditional grants and receipts	0	-	0	
VAT Payable	-	-	-	
Cash and cash equivalents	-	-	-	
Operating Lease Liability	1 000 000	-	1 000 000	
Current portion of Finance lease liability	600 000	-	600 000	
Current portion of other long-term liabilities	2 112 908	-	2 112 908	
Total Net Assets and Liabilities	2 540 307 569	-	2 540 307 569	

COMPARISON OF APPROVED AND FINAL BUDGET (Continued)

	2016 R (Approved Budget)	2016 R (Adjustments)	2016 R (Final Budget)	Explanations for material variances
ASSETS				
Non-current assets	2 151 710 480	-	2151 710 480	
Property, plant and equipment	1 840 420 772	-	1840 420 772	No adjustments were made to the Council Approved Statement of Financial Position.
Biological Assets	0	-	0	
Intangible Assets	43 426	-	43 426	
Investment Property	306 693 320	-	306 693 320	
Heritage assets	4 225 599	-	4 225 599	
Long-term receivables	327 364	-	327 364	
Investments	-	-	-	
Current assets	388 597 089	-	388 597 089	
Inventory	20 139 227	-	20 139 227	
Receivables from Exchange transactions	61 473 613	-	61 473 613	
Other receivables from non-exchange transactions	14 546 796	-	14 546 796	
Current portion of long-term receivables	374 057	-	374 057	
Unpaid conditional grants and receipts	-	-	-	
VAT Receivable	5 000 000	-	5 000 000	
Cash and Cash equivalents	286 883 396	-	286 883 396	
Operating Lease Assets	180 000	-	180 000	
Total Assets	2 540 307 569	-	2540 307 569	

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2016

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	Notes	2016 R (Actual)	2016 R (Final Budget)	2016 R (Variance)	Explanations for material variances
REVENUE					
<u>Revenue from Non-exchange Transactions</u>		273 194 225	298 852 547	(25 658 322)	
<u>Taxation revenue</u>		94 874 776	94 461 971	412 805	
Property rates	27	94 874 776	94 461 971	412 805	
<u>Transfer revenue</u>		150 858 158	177 934 592	(27 076 434)	
Government grants and subsidies	29	139 951 218	175 355 704	(35 404 486)	Underspending of mainly Housing grant funds. These funds are requested to be rolled-over to the next financial year.
Public contributions, donated and contributed PPE	31	10 906 940	2 578 888	8 328 052	Donated assets such as the Siyanithanda building and ICT Computer equipment was not provided for in the budget.
<u>Other non-exchange revenue</u>		27 461 291	26 455 984	1 005 307	
Fines		26 633 967	25 955 984	677 983	
Actuarial gains		827 323	500 000	327 323	
<u>Revenue from Exchange Transactions</u>		605 845 716	575 728 808	30 116 908	
Property rates-penalties imposed & collection charges	28	365 338	478 760	(113 422)	The major contributing factors are conservative budgeting for Electricity charges (R 10m) as a result of possible power shortages and an under estimation of water consumption (R 8m).
Service charges		514 741 631	494 285 192	20 456 439	
Rental of facilities and equipment		8 537 009	7 800 320	736 689	Better cash flow due to savings on expenditure led to better investment opportunities, which in turn led to an increase in interest earned.
Interest earned - external investments		28 187 131	22 017 354	6 169 777	
Interest earned - outstanding debtors		1 333 916	1 240 457	93 459	More disposals than anticipated with budget process were realised during the year. The municipality has opted to make use of Directive 11 to subsequently measure Investment Property on the Cost model and does therefor not need to recognise fair value adjustments.
Licences and permits		6 125 410	5 735 635	389 775	
Gain on de-recognition of Assets		827 526	12 665	814 861	
Impairment / Fair Value adjustment of Investment Property and Biological assets		-	500 000	(500 000)	
Other income	30	45 727 754	43 658 425	2 069 329	
Total Revenue		879 039 940	874 581 355	4 458 585	

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET (Continued)

EXPENDITURE	Notes	2016 R (Actual)	2016 R (Final Budget)	2016 R (Variance)	Explanations for material variances
Employee related costs	32	228 749 097	232 853 139	(4 104 042)	This saving is due to the position of Director Community Services being vacant for almost half the financial year as well as strict control over filling of new and vacant positions and a saving on contribution to leave provision
Remuneration of Councillors	33	9 713 125	9 952 980	(239 855)	
Debt Impairment Costs	34	28 025 300	30 377 645	(2 352 345)	Underspending of impairment of traffic fines due to prior years adjustments.
Collection costs		5 415 344	6 033 346	(618 002)	The Council decision that all residential erven with value of R65 000 or less be classified as indigent household and that such households be entitled to all indigent subsidies lead to the underspending
Depreciation	35	65 514 907	69 384 704	(3 869 797)	Budgeted for all under construction assets to be finalised, which did not materialise.
Amortisation - Intangible Assets		71 576	8 038	63 538	
Actuarial losses		3 716 946	1 500 000	2 216 946	As per Actuarial report for the year ended 30 June 2016. No actuarial loss was reported in previous year actuarial report as it is difficult to project actual expenditure.
Repairs and maintenance		51 050 444	55 506 710	(4 456 266)	R2m underspending of the Housing emergency kits budget and R1.7m underspending of Cleaning of Sewerage infrastructure assets.
Finance costs	36	6 236 695	2 625 720	3 610 975	Prior year adjustments relating to the correct recognition of the provision for landfill sites lead to unforeseen finance cost to the value of R3.5m.
Bulk purchases	37	253 667 481	255 600 000	(1 932 519)	Savings on water bulk purchases due to water availability.
Contracted services	38	38 445 644	40 805 362	(2 359 718)	The savings are due to R1.3m on Security services, R200 000 on printing of accounts, R350 000 reverse osmosis plant and R300 000 sanitation services.
Grants and subsidies paid	39	1 164 351	1 246 499	(82 148)	
General expenses	40	91 511 576	97 031 027	(5 519 451)	This variance is mainly due to the underspending on housing top structures derecognised as agency services. Other general expense items which was underspent due to savings are bank charges, fuel & oil, consultant fees, external audit fees and postage
Impairment on Assets		-	-	-	
Loss on de-recognition of Assets		8 511 895	20 881 593	(12 369 698)	Loss on disposal of land not realised as was anticipated with budget process, mainly due to the change in accounting processes
Impairment / Fair Value adjustment of Investment Property and Biological assets		-	1 500 000	(1 500 000)	The municipality has opted to make use of Directive 11 to subsequently measure Investment Property on the cost model therefore no need to recognise fair value adjustments.
Total Expenditure		791 794 383	825 306 763	(33 512 380)	
SURPLUS/(DEFICIT) FOR THE YEAR		87 245 558	49 274 592	37 970 966	

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2016

COMPARISON OF APPROVED AND FINAL BUDGET

	2016 R (Approved Budget)	2016 R (Adjustments)	2016 R (Final Budget)	Reasons for material adjustments
REVENUE				
<u>Revenue from Non-exchange Transactions</u>	298 852 547	-	298 852 547	
<u>Taxation revenue</u>	94 461 971	-	94 461 971	No adjustments were made to the Council Approved budget for Revenue.
Property rates	94 461 971	-	94 461 971	
<u>Transfer revenue</u>	177 934 592	-	177 934 592	
Government grants and subsidies	175 355 704	-	175 355 704	
Public contributions, donated and contributed PPE	2 578 888	-	2 578 888	
<u>Other non-exchange revenue</u>	26 455 984	-	26 455 984	
Fines	25 955 984	-	25 955 984	
Actuarial gains	500 000	-	500 000	
<u>Revenue from Exchange Transactions</u>	575 728 808	-	575 728 808	
Property rates-penalties imposed & collection charges	478 760	-	478 760	
Service charges	494 285 192	-	494 285 192	
Rental of facilities and equipment	7 800 320	-	7 800 320	
Interest earned - external investments	22 017 354	-	22 017 354	
Interest earned - outstanding debtors	1 240 457	-	1 240 457	
Licences and permits	5 735 635	-	5 735 635	
Gain on de-recognition of Assets	12 665	-	12 665	
Impairment / Fair Value adjustment of Investment Property	500 000	-	500 000	
and Biological assets				
Other income	43 658 425	-	43 658 425	
Total Revenue	874 581 355	-	874 581 355	

COMPARISON OF APPROVED AND FINAL BUDGET (Continued)

	2016 R (Approved Budget)	2016 R (Adjustments)	2016 R (Final Budget)	Explanations for material variances
EXPENDITURE				
Employee related costs	232 691 846	161 293	232 853 139	All adjustments made to the Expenditure budget were due to virements approved by Council between expenditure accounts. These adjustments has a zero nett effect on the total budget Approved by Council.
Remuneration of Councillors	9 952 980	-	9 952 980	
Debt Impairment Costs	30 377 645	-	30 377 645	
Collection costs	6 413 346	(380 000)	6 033 346	
Depreciation	69 384 704	-	69 384 704	
Amortisation - Intangible Assets	8 038	-	8 038	
Actuarial losses	1 500 000	-	1 500 000	
Repairs and maintenance	57 437 959	(1 931 249)	55 506 710	
Finance costs	2 625 720	-	2 625 720	
Bulk purchases	255 600 000	-	255 600 000	
Contracted services	40 278 444	526 918	40 805 362	
Grants and subsidies paid	1 246 499	-	1 246 499	
General expenses	95 407 989	1 623 038	97 031 027	
Loss on de-recognition of Assets	20 881 593	-	20 881 593	
Impairment / Fair Value adjustment of Investment Property and Biological assets	1 500 000	-	1 500 000	
Total Expenditure	825 306 763	-	825 306 763	
SURPLUS/(DEFICIT) FOR THE YEAR	49 274 592	-	49 274 592	

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2016

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	Notes	2016 R (Actual)	2016 R (Final Budget)	2016 R (Variance)	Explanations for material variances
CASH FLOW FROM OPERATING ACTIVITIES					
Receipts:		838 952 870	785 767 435	53 185 435	
Ratepayers		616 760 459	578 928 987	37 831 472	The major contributing factors are conservative budgeting for the collection of Service charges, especially Electricity charges, as a result of possible power shortages and an under estimation of water consumption.
Government - Operating		83 893 996	90 756 752	(6 862 756)	Due to underspending of Housing grant
Government - Capital		40 917 155	48 896 050	(7 978 895)	Due to underspending of Housing grant
Other		97 381 260	67 185 646	30 195 614	Change in accounting practice regarding the recognition of the proceeds on land sales which was included in the budget under revenue which is now under proceeds of capital assets. External services contributions and building plan fees exceeded the budget. Incorrect budget classification for donated assets.
Payments:		708 652 038	681 638 883	27 013 155	
Suppliers		370 248 276	382 246 541	(11 998 265)	Underspending of the Housing emergency kits budget and underspending of Cleaning of Sewerage infrastructure assets and savings on water bulk purchases due to water availability.
Employees		215 271 625	226 827 373	(11 555 748)	This saving is due to the position of Director Community Services being vacant for almost half the financial year as well as strict control over filling of new and vacant positions.
Other		123 132 136	72 564 969	50 567 167	Movement on Inventory, Payables from exchange transactions and VAT exceeded the estimated budget movement.
Cash generated from/(utilised in) operations	46	130 300 833	104 128 552	26 172 281	
Interest received		29 521 047	23 257 811	6 263 236	Better cash flow due to savings on expenditure led to better investment opportunities, which in turn led to an increase in interest earned.
Interest paid	36	(2 692 500)	(2 618 172)	(74 328)	
Net cash from operating activities		157 129 379	124 768 191	32 361 189	

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET (Continued)

	Notes	2016 R (Actual)	2016 R (Final Budget)	2016 R (Variance)	Explanations for material variances
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of Capital Assets		(147 023 268)	(160 508 243)	13 484 974	Mainly due to the underspending of the Housing infrastructure projects and the Herbertsdale Library building project.
Proceeds on de-recognition of Capital Assets	20	6 283 773	300 000	5 983 773	Change in accounting practice regarding the recognition of the proceeds on land sales which was included in the budget under revenue which is now under proceeds of capital assets
(Increase)/decrease in long-term receivables		281 957	50 000	231 957	
Net cash from investing activities		(140 457 539)	(160 158 243)	19 700 704	
CASH FLOWS FROM FINANCING ACTIVITIES					
Increase in consumer deposits	9	1 389 430	908 972	480 458	
Proceeds/(repayment) of finance lease liability	4	(683 580)	(500 000)	(183 580)	
Proceeds/(repayment) of other long-term liabilities	5	2 680 307	2 612 435	67 872	
Net cash from financing activities		3 386 157	3 021 407	364 750	
Net increase / (decrease) in cash and cash equivalents		20 057 998	(32 368 645)	52 426 642	
Cash and cash equivalents at the beginning of the year		319 252 041	319 252 041	-	
Cash and cash equivalents at the end of the year	25	339 310 039	286 883 396	52 426 642	

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2016

COMPARISON OF APPROVED AND FINAL BUDGET

	2016 R (Approved Budget)	2016 R (Adjustments)	2016 R (Final Budget)	Reasons for material adjustments
CASH FLOW FROM OPERATING ACTIVITIES				
<u>Receipts:</u>	785 767 435	-	785 767 435	
Ratepayers	578 928 987	-	578 928 987	No adjustments were made to the Council Approved Cash flow Statement.
Government - Operating	90 756 752	-	90 756 752	
Government - Capital	48 896 050	-	48 896 050	
Other	67 185 646	-	67 185 646	
<u>Payments:</u>	681 638 883	-	681 638 883	
Suppliers	382 246 541	-	382 246 541	
Employees	226 827 373	-	226 827 373	
Other	72 564 969	-	72 564 969	
Cash generated from/(utilised in) operations	104 128 552	-	104 128 552	
Interest received	23 257 811	-	23 257 811	
Interest paid	(2 618 172)	-	(2 618 172)	
Net cash from operating activities	124 768 191	-	124 768 191	

COMPARISON OF APPROVED AND FINAL BUDGET (Continued)

	2016 R (Approved Budget)	2016 R (Adjustments)	2016 R (Final Budget)	Reasons for material adjustments
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of Capital Assets	(160 508 243)	-	(160 508 243)	No adjustments were made to the Council Approved Cash flow Statement.
Proceeds on de-recognition of Capital Assets	300 000	-	300 000	
(Increase)/decrease in long-term receivables	50 000	-	50 000	
Net cash from investing activities	(160 158 243)	-	(160 158 243)	
CASH FLOWS FROM FINANCING ACTIVITIES				
Increase in consumer deposits	908 972	-	908 972	
Proceeds/(repayment) of finance lease liability	(500 000)	-	(500 000)	
Proceeds/(repayment) of other long-term liabilities	2 612 435	-	2 612 435	
Net cash from financing activities	3 021 407	-	3 021 407	
Net increase / (decrease) in cash and cash equivalents	(32 368 645)	-	(32 368 645)	
Cash and cash equivalents at the beginning of the year	319 252 041	-	319 252 041	
Cash and cash equivalents at the end of the year	286 883 396	-	286 883 396	

Notes to the Annual Financial Statements

Note 1: Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below and are consistent with those applied in the previous year unless stated otherwise.

1.1 Basis of presentation

The Annual Financial Statements have been prepared on an accrual basis of accounting.

The financial statements have been prepared in accordance with the Municipal Finance Management Act, (Act 56 of 2003) and effective standards of Generally Recognised Accounting Practices (GRAP) prescribed by the Minister of Finance.

The reporting framework is prescribed by the Accounting Standards Board (ASB) in Directive 5 of March 2009 (revised March 2015).

The effective standards, IFRSs and IFRICs, in accordance with Directive 5, Appendix B: 1 April 2015, of the Accounting Standards Board are summarised as follows:

Reference	Topic
GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4	The Effects of changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investments in Associates
GRAP 8	Interest in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economics
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events after the reporting date
GRAP 16	Investment Property
GRAP 17	Property, Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 21	Impairment of Non-cash-generating Assets
GRAP 23	Revenue from Non-exchange Transactions
GRAP 24	Presentation of Budget Information in Financial Statements
GRAP 25	Employee Benefits
GRAP 26	Impairment of Cash-generating Assets
GRAP 27	Agriculture

Reference	Topic
GRAP 31	Intangible Assets
GRAP 100	Discontinued Operations
GRAP 103	Heritage Assets
GRAP 104	Financial Instruments
GRAP 105	Transfers of Functions Between Entities under Common Control
GRAP 106	Transfers of Functions Between Entities Not under Common Control
GRAP 107	Mergers
IPSAS 20	Related Party Disclosures
IFRS 4 (AC 141)	Insurance Contracts
IFRS 6 (AC 143)	Exploration for and Evaluation of Mineral Resources
IAS 12 (AC 102)	Income Taxes
SIC – 25 (AC 425)	Income Taxes – Changes in the Tax Status of an Entity or its Shareholders
SIC – 29 (AC 429)	Service Concession Arrangements – Disclosures
IFRIC 12 (AC 445)	Service Concession Arrangements
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine
IFRIC 21	Levies

The following list of directives, interpretations and guidelines of the Standards of GRAP form part of the GRAP reporting framework:

Reference	Topic
Directive 1	Repeal of Existing Transitional Provisions in, and consequential amendments to, Standards of GRAP
Directive 2	Transitional Provisions for the Adoption of Standards of GRAP by Public Entities, Municipal Entities and Constitutional Institutions
Directive 3	Transitional Provisions for the Adoption of Standards of GRAP by High Capacity Municipalities
Directive 4	Transitional Provisions for the Adoption of Standards of GRAP by Medium and Low Capacity Municipalities
Directive 5	Determining the GRAP Reporting Framework
Directive 6	Transitional Provisions for Revenue Collected by the South African Revenue Service (SARS)
Directive 7	The Application of Deemed Cost on the Adoption of Standards of GRAP
Directive 8	Transitional Provisions for Parliament and the Provincial Legislatures
Directive 9	The Application of the Standards of GRAP by Trading Entities
Directive 10	The Application of the Standards of GRAP by Public Further Education and Training Colleges
Directive 11	Changes in the Measurement Bases Following the Initial Adoption of the Standards of GRAP
IGRAP 1	Applying the Probability Test on Initial Recognition of Exchange Revenue (As revised in 2012)
IGRAP 2	Changes in Existing Decommissioning, Restoration and Similar Liabilities
IGRAP 3	Determining whether an Arrangement Contains a Lease

Reference	Topic
IGRAP 4	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IGRAP 5	Applying the Restatement Approach under the Standard of GRAP on Financial Reporting in Hyperinflationary Economies
IGRAP 6	Loyalty Programmes
IGRAP 7	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IGRAP 8	Agreements for the Construction of Assets from Exchange Transactions
IGRAP 9	Distributions of Non-cash Assets to Owners
IGRAP 10	Assets Received from Customers
IGRAP 13	Operating leases – Incentives
IGRAP 14	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
IGRAP 15	Revenue – Barter Transactions Involving Advertising Services
IGRAP 16	Intangible Assets – Website Costs
Guide 1	Guideline on Accounting for Public Private Partnerships

Accounting policies for material transactions, events or conditions not covered by the above GRAP Standards have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised in 2010) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP), including any interpretations of such Statements issued by the Accounting Practices Board.

Accounting policies applied are consistent with those used to present the previous year's financial statements.

The municipality has opted to make use of Directive 11 to subsequently measure Investment Property on the Cost model.

In terms of Directive 7 "The Application of Deemed Cost on the Adoption of Standards of GRAP" issued by the Accounting Standards Board, the Municipality applied deemed cost to Investment Property, Property, Plant and Equipment and Intangible assets where the acquisition cost of an asset could not be determined.

If fair value at the measurement date cannot be determined for an item of property, plant and equipment, investment property or an intangible asset, an entity may estimate such fair value using depreciated replacement cost.

The cost for depreciated replacement cost is determined by using either one of the following:

- cost of items with a similar nature currently in the Municipality's asset register;
- cost of items with a similar nature in other municipalities' asset registers, given that the other municipality has the same geographical setting as the Municipality and that the other municipality's asset register is considered to be accurate;
- cost as supplied by suppliers.
- in the case of land and buildings a value as determined by a registered valuator.

1.2 Standards, Amendments to Standards and Interpretations issued and approved but not yet effective

- a) Issued and approved without an effective date (these standards were not early adopted by the Municipality):

GRAP 18	Segment Reporting
GRAP 32	Service Concession Arrangements: Grantor
GRAP 108	Statutory Receivables
IGRAP 17	Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset

Standards of GRAP that an entity may use to disclose information in its financial statements:

GRAP 20	Related Party Disclosures
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1.3 Presentation currency

These annual financial statements are presented in South African Rand and all amounts are rounded to the nearest Rand.

1.4 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

1.5 Going concern assumption

These annual financial statements are prepared on the basis that the municipality will remain a going concern for the foreseeable future.

1.6 Comparative Information

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed.

Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.7 Foreign currency transactions

The Municipality will not incur a foreign currency liability other than that allowed by the Municipal Finance Management Act (MFMA).

1.8 Presentation of Budget information

General purpose financial reporting by municipalities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The presentation of budget information is prepared in accordance with the GRAP standards. The annual financial statements and the budget are on the same basis of accounting, therefore a comparison between the budgeted and actual amounts for the reporting period are included in the Statement of Comparison of budget and actual amounts.

Budget information is presented on the accrual basis and is based on the same period as the actual amounts, i.e. 1 July 2015 to 30 June 2016.

Material differences or variances are defined as any differences or variance above 10% with a value of more than R1 000 000.

Explanations for material differences between the approved and final budget are included in the annual financial statements.

Explanations for material differences between the final budget amounts and actual amounts are included the annual financial statements.

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24.

1.9 Housing Development Fund

The Housing Development Fund was established in terms of Section 15(5) and 16 of the Housing Act, (Act 107 of 1997), which came into operation on 1 April 1998 and which requires that the Municipality maintains a separate housing operating account.

Loans from National and Provincial Government used to finance housing developments undertaken by the Municipality were extinguished on 1 April 1998 and transferred to the Housing Development Fund.

The Housing Act also requires in terms of Section 14(4)(d)(ii)(aa), read with, *inter alia*, Section 16(2) that the net proceeds of any rental, sale of property or alienation, financed previously from government housing funds, be paid into a separate operating account and be utilised by the Municipality for housing development subject to the approval of the Provincial MEC responsible for housing.

The following provisions are set for the creation and utilisation of the Housing Development Fund:

- The Housing Development Fund is cash backed and available funds are invested in accordance with the Municipality's investment policy,
- The proceeds in this fund are utilised for housing developments in accordance with the National Housing Policy and also for housing development projects approved by the MEC for Housing,
- Any contributions to or from the fund are shown as transfers in the Statement of Changes in Net Assets,
- Any interest earned on the investments of the fund is disclosed as interest earned in the statement of financial performance,
- Any surplus / (deficit) on the Housing Statement of Financial Performance must be transferred to the Housing Development Fund if funds are available and not already committed to approved existing Housing projects.

1.10 Reserves

1.10.1 Capital Replacement Reserve (CRR)

In order to finance capital assets from internal sources, amounts are transferred out of the accumulated surplus into the Capital Replacement Reserve (CRR) in terms of the funding and reserves policy adopted by the Municipality. The cash in the CRR can only be used to finance capital expenditure appropriated in an approved budget. The CRR is reduced and the accumulated surplus is credited by a corresponding amount when the amounts in the CRR are utilised.

1.11 Employee Benefits

(a) Pension obligations

The Municipality contributes to various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Municipality has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the Municipality pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The Group has a legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the statement of financial position date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the Statement of Financial Performance in the accounting period in which it occurs.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

For defined contribution plans, the Municipality pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis.

The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) *Post Retirement Medical obligations*

The Municipality provides post-retirement healthcare benefits to its employees and retired employees of the municipality, and to their registered dependants. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions are charged or credited to the Statement of Financial Performance. These obligations are valued annually by independent qualified actuaries.

(c) *Long Service awards*

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the municipality. The municipality's obligation under these plans is valued by independent qualified actuaries annually and the corresponding liability is raised.

Payments are offset against the liability, including notional interest, resulting from the valuation by the actuaries is charged against the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

(d) *Ex gratia Gratuities*

Ex gratia gratuities are provided to employees that were not previously members of a pension fund. The Municipality's obligation under these plans is valued by independent qualified actuaries and the corresponding liability is raised.

Payments made by the Municipality are offset against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation. Defined benefit plans are post-employment plans other than defined contribution plans.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions are charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

(e) *Accrued Leave pay*

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and is calculated as per collective bargaining council agreement.

(f) *Accrued Annual and Performance bonuses*

Liabilities for annual and performance bonuses are recognised as they accrue to employees.

Annual bonuses accrue to employees on an annual basis, based on the employee contract. Performance bonuses accrue to senior managers on an annual basis, subject to certain conditions. These accruals are an estimate of the amount due to staff as at the financial year end.

(g) *Other short-term employee benefits*

The cost of short-term employee benefits is recognised in the period in which the service is rendered. Liabilities are recognised as they accrue to employees.

1.12 Provisions

A provision is recognised when the municipality has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

The municipality has discounted provisions to their present value when the effect of the time value of money is material. The notional interest charge representing the unwinding of the provision discounting is included in the Statement of Financial Performance.

Provisions are reviewed at each Statement of Financial Position date and adjusted to reflect the current best estimate.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses.

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision shall be derecognised.

1.13 Leases

1.13.1 The Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the entity.

Amounts held under finance leases are initially recognised as assets of the Municipality at the lower of their fair value at the inception of the lease or the present value of the future minimum lease payments.

The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they may be capitalised in accordance with the Municipality's policy on borrowing costs.

Operating leases are those leases that do not fall within the scope of the definition of a finance lease. Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Municipality recognises the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

The Municipality will not incur a foreign currency lease liability other than that allowed by the MFMA.

1.13.2 The Municipality as Lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Municipality's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return to the Municipality's net investment outstanding in respect of the leases.

Operating lease revenue is recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined revenue and actual payments received will give rise to an asset. The Municipality recognises the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leased asset is diminished.

1.14 Long-term liabilities (Borrowings)

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Statement of Financial Performance over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Municipality has the unconditional right to defer settlement of the liability for at least 12 months after the date of the Statement of Financial Position.

1.15 Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for the intended use or sale, are added to the costs of these assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets may be deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the statement of financial performance in the period in which they are incurred.

1.16 Payables from Exchange Transactions

Payables from exchange transactions are originally carried at fair value and subsequently are measured at amortised cost using the effective interest method.

1.17 Unspent Conditional Grants and Receipts

Unspent conditional grants and receipts are reflected on the Statement of Financial Position as a current liability. They represent unspent government grants, subsidies and contributions from the public. This liability always has to be backed by cash.

The following provisions are set for the creation and utilisation of this liability:

- The cash which backs up the liability is invested until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the liability. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.
- Whenever an asset is purchased out of the unspent conditional grant an amount equal to the cost price of the asset purchased is transferred from the Unspent Conditional Grant into the statement of financial performance as revenue.

1.18 Unpaid Conditional Grants and Receipts

Unpaid conditional grants are assets in terms of the Framework that are separately reflected on the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.

1.19 Value Added Tax

The municipality is registered for VAT on the payment basis. Revenue, expenses and assets are recognised net of the amount of value added tax. The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

1.20 Property, Plant and Equipment**1.20.1 Initial Recognition**

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost.

The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

All donated property, plant and equipment is recognised at its fair value.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measured at fair value (the cost).

If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

1.20.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

1.20.3 Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use and depreciation ceases at the earlier of the date that the asset is derecognised. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated useful lives at acquisition of all Property, Plant and Equipment. These useful lives can be extended in applying a review of useful lives.

Asset Category	Asset Sub Category	Useful Life in years
Infrastructure Assets	Elec. Generation	10 - 30
	Elec. Reticulation	10 - 45
	Refuse	10 - 100
	Roads, Pavements & Bridges	10 - 50
	Sewerage: Purification	20 - 120
	Sewerage: Reticulation	10 - 100
	Storm water	10 - 50
	Street Lighting	5 - 20
	Water: Dams & Reservoirs	20 - 50
	Water: Purification	10 - 100
	Water: Reticulation	10 - 120

Asset Category	Asset Sub Category	Useful
Community Assets	Buses	10 - 15
	Cemeteries	20 - 100
	Community Halls	15 - 100
	Community: Other	15 - 100
	Fire, Safety & Emergency	10 - 100
	Libraries	10 - 100
	Museums & Art Galleries	10 - 100
	Parks & Gardens	5 - 50
	Recreational Facilities	15 - 100
	Social Rental Housing	10 - 100
	Sport fields & Stadiums	10 - 100
	Swimming Pools	10 - 20
Other Assets	Civic Land & Buildings	20 - 100
	Computers: Hardware & Equipment	4 - 5
	Furniture & Office Equipment	7 - 30
	General Vehicles	7 - 15
	Other Buildings	50 - 100
	Other Land	Indefinite
	Other: Other Assets	5 - 15
	Plant & Equipment	5 - 30
	Security Measures	5 - 10
	Specialised Vehicles	12 - 30

1.20.4 Derecognition

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.21 Investment Property

1.21.1 Initial Recognition

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where the investment property was acquired for no or a nominal value), its cost is its fair value as at the date of acquisition.

Transfers are made to or from investment property only when there is a change in use.

If owner occupied property becomes an investment property, the municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

The cost of self-constructed investment property is the cost at date of completion.

1.21.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

1.21.3 Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use and depreciation ceases at the earlier of the date that the asset is derecognised. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated useful lives. These useful lives can be extended in applying a review of useful lives.

Asset Category	Asset Sub Category	Useful life in years		
Investment Properties	Investment Properties: Land	Indefinite		
	Investment Properties: Building	20	-	100
	Site Assets	8	-	30
	Fixtures to Buildings	7	-	30

1.21.4 Derecognition

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.22 Intangible Assets**1.22.1 Initial Recognition**

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences and development costs.

The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the Municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the Municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

1.22.2 Subsequent Measurement – Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

1.22.3 Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The annual amortisation rates are based on the following estimated useful lives at acquisition of intangible assets. These useful lives can be extended in applying a review of useful lives.

Asset Category	Asset Sub Category	Useful life in Years		
Intangible Assets	Intangible Assets: Other	5	-	20
	Intangible Assets: Software	4	-	10

1.22.4 Derecognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.23 Heritage assets

1.23.1 Initial Recognition

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance and is held and preserved indefinitely for the benefit of present and future generations.

A heritage asset is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the asset will flow to the Economic Entity, and the cost or fair value of the asset can be measured reliably.

A heritage asset that qualifies for recognition as an asset, is measured at its cost. Where a heritage asset is acquired through a non-exchange transaction, its cost is deemed to be its fair value as at the date of acquisition.

1.23.2 Subsequent Measurement – Cost Model

After recognition as an asset, heritage assets are carried at its cost less any accumulated impairment losses.

1.23.3 Depreciation and Impairment

Heritage assets are not depreciated, since their long economic life and high residual value means that any depreciation would be immaterial.

Heritage assets are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

1.23.4 Derecognition

Heritage assets are derecognised when it is disposed or when there are no further economic benefits expected from the use of the heritage asset. The gain or loss arising on the disposal or retirement of a heritage asset is determined as the difference between the sales proceeds and the carrying value of the heritage asset and is recognised in the Statement of Financial Performance.

1.24 Biological assets

1.24.1 Initial Recognition

A biological asset is a living animal or plant which is part of an agricultural activity and entails the management of the biological transformation and harvest of biological assets for either the sale; distribution at no charge or for a nominal charge; or conversion into agriculture produce or into additional biological assets for sale or distribution at no charge or for a nominal charge. Agricultural produce is the harvested product of the municipality's biological assets.

Biological assets shall be recognised when, and only when:

- a) the entity controls the asset as a result of past events;
- b) it is probable that future economic benefits or service potential associated with the asset will flow to the entity; and
- c) the fair value or cost of the asset can be measured reliably.

Biological assets are measured on initial recognition at its fair value less costs to sell, except where the fair value cannot be measured reliably. In such a case, that biological asset shall be measured at its cost less any accumulated depreciation and any accumulated impairment losses.

1.24.2 Subsequent Measurement

Biological assets are measured at each reporting period at their fair value less estimated point-of-sale costs. The fair value of the biological is determined based on current market prices, growth and/or volume and estimated value movement in point-of-sale cost.

1.24.3 Derecognition

On derecognition of biological assets due sale or nominal charge, the proceeds as a result of the sale or nominal charge are recognised as revenue in the statement of financial performance for the period in which it arises, whilst the cost of sale (fair value less cost of sale) is recognised as an expenditure in the statement of financial performance.

1.25 Impairment of non-financial assets

1.25.1 Cash-generating assets

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the municipality estimates the asset's recoverable amount.

The re-designation of assets from a cash-generating asset to a non-cash generating asset or from a non-cash-generating asset to a cash-generating asset shall only occur when there is clear evidence that such a re-designation is appropriate. A re-designation, by itself, does not necessarily trigger an impairment test or a reversal of an impairment loss.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

1.25.2 Non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss recorded in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches:

- **depreciated replacement cost approach** - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.
- **restoration cost approach** - the cost of restoring the service potential of an asset to its pre-impaired level. With this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

- service unit approach - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform with the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

An impairment loss is recognised immediately in surplus or deficit, unless the asset is carried at a revalued amount in accordance with another Standard of GRAP. Any impairment loss of a revalued asset shall be treated as a revaluation decrease in accordance with that Standard of GRAP.

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

1.26 Non-current investments

Non-current investments, which include fixed deposits invested in registered commercial banks, are stated at amortised cost using the effective interest method less any impairment. Where an investment has been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period the impairment is identified.

1.27 Inventories

1.27.1 Initial Recognition

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Water inventory is being measured by multiplying the cost per kilo litre of purified water by the amount of water in storage.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

1.27.2 Subsequent Measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values. Consumables are written down with regard to their age, condition and utility. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose.

Water inventory is measured annually at the reporting date by way of dip readings and the calculated volume in the distribution network.

The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset. In general, the basis of allocating cost to inventory items is the weighted average method.

1.28 Trade and other Receivables

Trade receivables are recognised initially at originating cost and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Municipality will not be able to collect all amounts due according to the original terms of the receivables. In determining whether an impairment should be recorded, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the future cash flows from a financial asset.

When a trade receivable is uncollectible, it is written off in terms of the municipality's Credit Control and Debt Collection Policy. Subsequent recoveries of amounts previously written off are credited against to the Statement of Financial Performance.

1.29 STATUTORY RECEIVABLES

Statutory receivables arise from legislation, supporting regulations, or similar means and require settlement by another entity in cash or another financial asset. Statutory receivables can arise from both exchange and non-exchange transactions.

1.29.1 Initial Recognition

Statutory receivables are recognised when the related revenue is recognised.

1.29.2 Measurement

The Municipality initially measures the statutory receivables at their transaction amount. The Municipality measure statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to reflect any:

- (a) interest or other charges that may have accrued on the receivable;
- (b) impairment losses; and
- (c) amounts derecognised.

The Municipality assesses at each reporting date whether there is any indication that a statutory receivable may be impaired. If there is an indication that a statutory receivable may be impaired, the Municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable is reduced, through the use of an allowance account.

The amount of the loss is recognised in the Statement of Financial Performance. In estimating the future cash flows, the Municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the Municipality discounts the estimated future cash flows using a rate that reflects the current risk free rate and any risks specific to the statutory receivable for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows. Any previously recognised impairment loss is adjusted by adjusting the allowance account. The amount of any adjustment is recognised in the Statement of Financial Performance.

1.29.3 Derecognition

The Municipality derecognises a statutory receivable when:

- (a) the rights to the cash flows from the receivable are settled, expire or are waived;
- (b) the Municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- (c) the Municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the Municipality:
 - (i) derecognise the receivable; and
 - (ii) recognise separately any rights and obligations created or retained in the transfer.

1.30 Cash and Cash Equivalents

Cash includes cash on hand, call deposits and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise of cash on hand, call deposits and cash with banks, net of bank overdrafts.

1.31 Revenue Recognition

1.31.1 Revenue from exchange transactions

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced.

Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced.

Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards are recognised at the point of sale. At year-end the recognition is based on an estimate of the prepaid electricity consumed as at the reporting date. The consumption of pre-paid electricity is calculated by using a trend analysis and other historical data on electricity usage.

Service charges relating to **refuse removal** are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly.

Service charges from **sewerage and sanitation** for residential and business properties are levied annually based on a fixed tariff.

Rentals are recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Interest earned on investments is recognised in the Statement of Financial Performance on the effective interest rate basis that takes into account the effective yield on the investment. Interest earned on the following investments is not recognised in the Statement of Financial Performance:

- Interest earned on unutilised conditional grants is allocated directly to the unutilised conditional grant liability, if the grant conditions indicate that interest is payable to the funder.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

Revenue from the **sale of goods** is recognised when **all** the following conditions have been satisfied:

- The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

The income for **agency services** recognised is commission in terms of the agency agreement.

Finance income from the sale of housing by way of instalment sales agreements or finance leases is recognised on a time proportionate basis.

Revenue is measured at the fair value of the consideration received or receivable.

The amount of revenue arising on a transaction is usually determined by agreement between the Municipality and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the Municipality.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating;
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

1.31.2 Revenue from non-exchange transactions

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Revenue from **property rates** is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis. Rebates and discounts are offset against the related revenue, in terms of iGRAP 1, as there is no intention of collecting this revenue.

Fines constitute both spot fines and summonses. Fine revenue is recognised when the spot fine or summons are issued. In cases where fines and summonses are issued by another government institute, revenue will only be recognised when monies are received, as the municipality does not have any control over fines issued by other government institutes/departments.

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are brought into use. **Contributed property, plant and equipment** are recognised when such items of property, plant and equipment are brought into use.

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

All unclaimed deposits are initially recognised as a liability until 36 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as revenue. This policy is in line with prescribed debt principle as enforced by law.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act, Act No.56 of 2003, and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Grants, Transfers and Donations

Revenue received from **conditional grants, donations and funding** are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. A liability is recognised, to the extent that the criteria, conditions or obligations have not been met.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use. Where public contributions have been received but the Municipality has not met the condition, a liability is recognised.

Revenue is measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, the Municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

1.32 Grants and Subsidies paid

The municipality transfers money to individuals and organisations from time to time, based on merit. When making these transfers, the municipality does not:

- Receive any goods or services directly in return, as would be expected in a purchase or sale transaction,
- Expect to be repaid in future, and
- Expect a financial return, as would be expected from an investment.

These transfers are recognised in the statement of financial performance as expenses in the period that the events give rise to the transfer occurred.

1.33 Changes in accounting policy, estimates and errors

Changes in accounting policies have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Detail of changes in accounting policies are disclosed in the notes to the annual financial statements.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Detail of changes in accounting estimates are disclosed in the notes to the annual financial statements.

Prior period errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect or the error.

In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Detail of prior period errors are disclosed in the notes to the annual financial statements.

1.34 Unauthorised Expenditure

Unauthorised expenditure is any expenditure incurred otherwise than in accordance with section 15 or 11(3) of the Municipal Finance Management Act (MFMA).

Unauthorised expenditure includes:

- Overspending of the total amount appropriated in the municipality's approved budget,
- Overspending of the total amount appropriated for a vote in the approved budget,
- Expenditure from a vote unrelated to the department or functional area covered by the vote,
- Expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose,
- Spending of an allocation received from another sphere of Government, municipality, or organ of state otherwise than in accordance with any conditions of the allocation,

- A grant by the municipality otherwise than in accordance with the MFMA.

Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.35 Irregular Expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act, Act No.56 of 2003, the Municipal Systems Act, Act No.32 of 2000, the Public Office Bearers Act, Act No. 20 of 1998 or is in contravention of the Municipality's supply chain management policy and which has not been condoned in terms of such act or policy.

Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.36 Fruitless and Wasteful Expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised.

Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.37 Related parties

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions.

Related parties include:

- Entities that directly, or indirectly through one or more intermediaries, control, or are controlled by the reporting entity;
- Individuals owning, directly or indirectly, an interest in the reporting entity that gives them significant influence over the entity, and close members of the family of any such individual;
- Key management personnel, and close members of the family of key management personnel; and
- Entities in which a substantial ownership interest is held, directly or indirectly, by any person described in the 2nd and 3rd bullet, or over which such a person is able to exercise significant influence.

Key management personnel include:

- All directors or members of the governing body of the entity, being the Executive Mayor, Executive Deputy Mayor, Speaker and members of the Mayoral Committee.
- Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting entity being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

1.38 Interest in Joint Venture

A joint venture is a binding arrangement whereby two or more parties are committed to undertake an activity that is subject to joint control.

Joint ventures take many different forms and structures. There are three broad types that meet the definition of a joint venture, namely:

- Jointly controlled operations
- Jointly controlled assets
- Jointly controlled entities

Jointly controlled assets

A jointly controlled asset involves joint control and often the joint ownership by the venturers of assets contributed to or acquired for the purpose of the joint venture and dedicated to the purpose of the joint venture, without the establishment of a corporation, partnership or other entity.

The municipality accounts for its share of the jointly controlled assets, any liabilities it has incurred, its share of any liabilities jointly incurred with other venturers, income from the sale or use of its share of the joint venture's output, together with its share of the expenses incurred by the joint venture, and any expenses it incurs in relation to its interest in the joint venture.

1.39 Financial Instruments

The Municipality has various types of financial instruments and these can be broadly categorised as either *Financial Assets* or *Financial Liabilities*.

1.39.1 Financial Assets

A financial asset is any asset that is a cash equivalent or contractual right to receive cash. The Municipality has the following types of financial assets as reflected in the Statement of Financial Position or in the notes thereto:

- Long-term Receivables
- Receivables from Exchange Transactions
- Other Receivables from Non-Exchange Transactions
- Current portion of Long-term Receivables
- Cash and Cash Equivalents

1.39.2 Financial Liabilities

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. The municipality has the following types of financial liabilities as reflected in the Statement of Financial Position or in the notes thereto:

- Long-term Liabilities
- Payables from exchange transactions
- Bank Overdraft
- Current Portion of Long-term Liabilities

1.39.3 Measurement

Initial Recognition:

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent Measurement:

Financial Assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost.

Financial Liabilities are categorised as either at fair value, financial liabilities at cost or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation.

1.39.4 Impairment of Financial Assets

Annually an assessment is made as to whether there is any impairment of Financial Assets. If so, the recoverable amount is estimated and an impairment loss is recognised.

Receivables from exchange and non-exchange transactions are stated at cost less a provision for impairment. The provision is made by assessing the recoverability of the receivables collectively after grouping the debtors in financial asset groups with similar credit risk characteristics.

Loans and receivables are recognised initially at cost which represents fair value. After initial recognition Financial Assets are measured at amortised cost, using the effective interest rate method less a provision for impairment. All classes of loans and receivables are separately assessed for impairment annually.

1.39.5 Derecognition of Financial Instruments

1.39.5.1 Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the municipality has transferred substantially all the risks and rewards of the asset, or (b) the municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

1.39.5.2 Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

1.39.6 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

1.40 Contingent Liabilities / Assets

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

A contingent asset is a possible asset that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent assets and liabilities are not recognised in the Statement of Financial Position.

Contingent liabilities are disclosed in the notes to the annual financial statements, unless it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets are disclosed where an inflow of economic benefits or service potential is probable.

1.41 Events after reporting date

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

Events after the reporting date classified as adjusting events are accounted for in the financial statements.

If non-adjusting events after the reporting date are material, the Municipality discloses the nature and an estimate of the financial effect.

1.42 Contractual commitments

Contractual commitments disclosed in the financial statements represents the contractual balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

1.43 Significant accounting judgements and estimates

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the annual financial statements:

Post retirement medical obligations, Long service awards and Ex gratia gratuities

The cost of post retirement medical obligations, long service awards and ex-gratia gratuities are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Impairment of Receivables

The calculation in respect of the impairment of service debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

The calculation in respect of the impairment of Traffic fines is based on an assessment of the past payment history of fines per category.

Property, plant and equipment

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time. For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciated replacement cost method which was based on assumptions about the remaining duration of the assets.

Intangible assets

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciated replacement cost method which was based on assumptions about the remaining duration of the assets.

Investment Property

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

Provisions and contingent liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the effect of discounting is material. (Refer to above accounting policies on estimates made)

Revenue Recognition

Accounting Policy on Revenue from Non-Exchange Transactions and Accounting Policy on Revenue from Exchange Transactions above describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions. Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed.

Fine revenue is recognised when the spot fine or summons are issued. In cases where fines and summonses are issued by another government institute, revenue will only be recognised when monies are received, as the municipality does not have any control over fines issued by other government institutes/departments. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

Componentisation of Infrastructure assets

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note when found material.

Notes 2 – 55: Other Notes to Annual Financial Statements

2. HOUSING DEVELOPMENT FUND

	2016 R	2015 R
Balance at beginning of the year	750 539	722 426
Income	13 583	28 113
Land Sales	4 335	-
Interest on investments	9 248	28 113
Less: Expenditure	742 562	-
Funding Capital Projects	-	-
Funding Operating Projects	742 562	-
Total Housing Development Fund assets and liabilities	21 560	750 539

3. CAPITAL REPLACEMENT RESERVE

	2016 R	2015 R
Balance at beginning of the year	129 630 102	65 233 610
Transfer from	78 186 735	143 357 273
Land Sales contribution	7 238 682	9 731 831
External Services contribution	5 361 570	6 215 558
Contribution from Operating account	65 586 483	127 409 885
Other	-	-
Less: Expenditure	81 241 556	78 960 781
Funding Capital Projects	81 241 556	78 960 781
Total Capital Replacement Reserve	126 575 281	129 630 102

The Capital Replacement Reserve is fully funded and invested in financial instruments.

Refer to Note 41.2 for details regarding the restatement of previous year balances.

4. FINANCE LEASE LIABILITY

	2016 R	2015 R
Computers (Rentworks Africa)	682 140	1 249 111
Office equipment (Nashua, Minolta & ITEC)	104 087	220 696
Sub-total	786 227	1 469 807
Less: Current portion transferred to current liabilities	453 947	687 361
Computers (Rentworks Africa)	402 466	566 971
Office equipment (Nashua, Minolta & ITEC)	51 482	120 390
Total Finance lease liability	332 280	782 446

Finance lease liability:

Finance lease liabilities relate to computers and office equipment with lease terms not more than five years. Finance leases bear interest at rates between 9.3 and 31.9 percent for Computers and between 8.9 and 31 percent for Office Equipment. Finance lease liabilities are secured over the items of office equipment leased.

Obligations under Finance leases:

Finance lease liabilities - Minimum capital lease payments:

	2016 R	2015 R
No later than 1 year	563 031	878 558
Later than 1 year and no later than 5 years	356 389	911 073
Later than 5 years	-	-
	919 421	1 789 631
Future finance charges on finance leases	(133 193)	(319 824)
	786 227	1 469 807

The present value of finance lease liabilities is as follows:

	2016 R	2015 R
No later than 1 year	453 947	687 361
Later than 1 year and no later than 5 years	332 280	782 446
Later than 5 years	-	-
	786 227	1 469 807

5. OTHER LONG-TERM LIABILITIES

	2016 R	2015 R
Local registered stock loans	333 487	463 557
Long-term loans	26 800 000	24 000 000
Sub-total	27 133 487	24 463 557
Less: Current portion transferred to current liabilities	2 967 763	2 119 693
Local registered stock loans	215 386	119 693
Long-term loan	2 752 377	2 000 000
Total Other Long-term Liabilities	24 165 725	22 343 864

Refer to Appendix A for more detail on Long-term liabilities.

Local registered stock loans:

Local registered stock loans bear interest at rates between 12 and 15 percent per annum and are repayable between one and six years.

Long-term loan:

The municipality has taken up a R30 million loan from the Development Bank of South Africa to fund the Seawater Desalination plant constructed in the 2010/11 financial year. This loan bear interest at a floating rate of 9.542%.

The municipality has taken up a R4,8 million loan from ABSA Bank in the current financial year to fund the Midbrak main sewer network phase 1. This loan is for a period of 10 years and bear interest at a all-in rate of 9.25%.

6. NON-CURRENT PROVISIONS

	2016 R	2015 R
Rehabilitation of Landfill sites	71 202 727	67 658 532
Clearing of Alien Vegetation	20 124 054	13 189 026
	91 326 781	80 847 558
Less: Transfer to Current Provisions	1 062 300	1 240 936
Rehabilitation of Landfill sites	-	990 936
Clearing of Alien Vegetation	1 062 300	250 000
Total Non-Current Provisions	90 264 481	79 606 622
Rehabilitation of Landfill sites	71 202 727	66 667 596
Clearing of Alien Vegetation	19 061 754	12 939 026

The movement in non-current provisions are reconciled as follows:

30 June 2016

	<u>Alien Vegetation</u> R	<u>Rehabilitation of Landfill Sites</u> R
Balance at beginning of year	12 939 026	66 667 596
Contribution to provisions	7 185 028	3 544 195
Reversal of unused amounts from current	-	990 936
Transfer to current provision	(1 062 300)	-
Balance at end of year	19 061 754	71 202 727

30 June 2015

	<u>Alien Vegetation</u> R	<u>Rehabilitation of Landfill Sites</u> R
Balance at beginning of year	13 049 778	63 681 411
Contribution to provisions / Finance Costs	122 871	3 042 275
Reversal of unused amounts from current	16 377	934 846
Transfer to current provision	(250 000)	(990 936)
Balance at end of year	12 939 026	66 667 596

Refer to Note 41.1 for details regarding the restatement of previous year balances.

6.1 REHABILITATION OF LANDFILL SITES

Provision is made in terms of the Municipality's licensing stipulations for the rehabilitation of landfill sites. The provision has been determined by consulting engineers. The payment dates for the total closure and rehabilitation are uncertain, but are expected to be finalised by 2018.

6.2 CLEARING OF ALIEN VEGETATION

Provision is made in terms of the Conservation of Agricultural Resources Act, 1983 (Act 43 of 1983) for the clearing of alien vegetation as settlement of the obligations in respect of this Act.

7. EMPLOYEE BENEFITS

	2016	2015
	R	R
Post Employment Health Care Benefits	96 341 000	86 151 000
Ex-Gratia Gratuities	1 625 000	1 742 000
Long Service Awards	14 673 000	13 917 000
	<u>112 639 000</u>	<u>101 810 000</u>
Less: Transfer to Current liability	5 544 000	5 146 000
Post Employment Health Care Benefits	4 265 000	3 804 000
Ex-Gratia Gratuities	279 000	201 000
Long Service Awards	1 000 000	1 141 000
Total Non-Current liability	107 095 000	96 664 000
Post Employment Health Care Benefits	92 076 000	82 347 000
Ex-Gratia Gratuities	1 346 000	1 541 000
Long Service Awards	13 673 000	12 776 000

The movement in Employee benefits are reconciled as follows:

	<u>Post Empl</u>	<u>Ex-Gratia</u>	<u>Long Service</u>
	<u>Health care</u>	<u>Gratuities</u>	<u>Awards</u>
	<u>R</u>	<u>R</u>	<u>R</u>
30 June 2016			
Balance at beginning of year	86 151 000	1 742 000	13 917 000
Interest Cost	3 052 000	150 000	1 153 000
Service cost & transitional liability	7 785 000	-	1 272 000
Benefit payments (Expenditure incurred)	(4 363 946)	(198 263)	(910 414)
Actuarial loss / (gain)	3 716 946	(68 737)	(758 586)
Transfer to current provision	(4 265 000)	(279 000)	(1 000 000)
Balance at end of year	<u>92 076 000</u>	<u>1 346 000</u>	<u>13 673 000</u>
30 June 2015			
Balance at beginning of year	81 877 000	1 822 000	13 276 000
Interest Cost	2 793 000	142 000	1 094 000
Service cost & transitional liability	7 391 000	-	1 088 000
Benefit payments (Expenditure incurred)	(3 955 573)	(198 263)	(1 043 473)
Actuarial loss / (gain)	(1 954 427)	(23 737)	(497 527)
Transfer to current provision	(3 804 000)	(201 000)	(1 141 000)
Balance at end of year	<u>82 347 000</u>	<u>1 541 000</u>	<u>12 776 000</u>

DEFINED BENEFIT PLAN INFORMATION

7.1 POST EMPLOYMENT HEALTH CARE BENEFITS

7.1.1 Introduction and Statistics used:

The employer's post-employment health care liability consists of a commitment to pay a portion of the pensioners' post-employment medical scheme contributions. This liability is also generated in respect of dependants who are offered continued membership of the medical scheme on the death of the primary member.

Subsidy Arrangements

Mossel Bay is committed to pay subsidies broadly as follows:

- All new continuation pensioners (that are currently still in service) and their dependants will receive a 70% subsidy subject to the maximum (CAP) amount of R3,898.28 (per month per member) for the period 1 July 2016 to 30 June 2017. The maximum (CAP) amount was R3,763.30 in the previous financial year.
- All existing continuation pensioners and their dependants will continue to receive a 70% subsidy subject to the maximum (CAP) amount of R3,898.28 (per month per member) for the period 1 July 2016 to 30 June 2017. That said, there are two continuation pensioners who receive a 200% subsidy. The maximum (CAP) amount was R3,761.30 in the previous financial year.
- We have assumed that the subsidy would increase by 50% of long term CPI.

It is important to note that the subsidy percentages were supplied to us by Mossel Bay and are not verifiable. Should the subsidy percentages be confirmed and differ to the above our results may need to be adjusted.

Valuation Method

In accordance with the requirements of GRAP25, the Projected Unit Credit method has been applied. The assumption underlying the funding method is that the employer's postemployment medical scheme costs in respect of an employee should be fully recognised by the time that the employee reaches fully accrued age. The valuation has been made with reference Actuarial Society of South Africa (ASSA) guidelines, in particular, the Advisory Practice Note 207, and is consistent with the requirements of GRAP25.

The Post Employment Health Care Benefit Plan is a defined benefit plan, of which the members are made up as follows:

- Active employees
- Continuation pensioners
- Total**

2016	2015
R	R
463	467
125	112
588	579

The unfunded liability in respect of past service has been estimated as follows:

- Active employees
- Continuation pensioners

2016	2015
R	R
42 602 000	37 490 000
53 739 000	48 661 000
96 341 000	86 151 000

Summary of Active employees:

Number of Principal members	463	467
Average age	42.4	44.3
Average past service (years)	10.2	11.3
Average employer monthly contribution	R 1 977	R 1 940

Summary of Continuation pensioners:

Number of Principal members	125	112
Average age	71.6	67.1
Average employer monthly contribution	R 3 169	R 2 600

The active employees were assumed to have one dependent, on retirement, in the form of a spouse, as per the 90% married assumption.

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

- Bonitas;
- HOSMED;
- LA Health;
- Key Health;
- SAMWUMED.

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7.1.2 Results of Valuation:

1) Accrued Liability

	2016 R'000	2015 R'000
Active employees	42 602	37 490
Continuation pensioners	53 739	48 661
All members		
Total Value of liabilities	96 341	86 151
Value of assets	-	-
Unfunded Accrued Liability	96 341	86 151

The total liability increased by 11.8% over the accounting period.

2) Current-Service and Interest Costs

	2016 R	2015 R
Current-service Cost (Active employees)	3 052 000	2 793 000
Interest Cost (All members)	7 785 000	7 391 000
Total Cost	10 837 000	10 184 000

3) Actuarial gains and losses

	2016 R	2015 R
Actuarial (Gain)/Loss for the period	3 716 946	(1 954 427)

The main reasons for the actuarial gain can be attributed to the following factors:

1. Discount rate changes – The change in the net discount rate during the valuation period resulted in an **increase** to the accrued liability of **R 3 032 000**.

2. Salary changes – The medical inflation assumption in the prior valuation period was higher than the actual increases in the medical contributions. This **decreased** the liability with **R 91 000**.

3. Miscellaneous – The miscellaneous items in the data resulted in an **increase** to the liability by **R 775 946**. Factors that make up the miscellaneous items are changes to membership composition, data changes, and variations from demographic assumptions (i.e. rates of withdrawal).

4) Past and Future Changes in the Accrued Liability

	Year ending 30/06/2014 R	Year ending 30/06/2015 R	Year ending 30/06/2016 R	Year ending 30/06/2017 R	Year ending 30/06/2018 R
Opening Accrued Liability	141 567 555	81 877 000	86 151 000	96 341 000	103 653 000
Current-service Cost	7 902 893	2 793 000	3 052 000	3 871 000	4 188 000
Interest Cost	10 518 469	7 391 000	7 785 000	7 706 000	8 303 000
Contributions (Benefit payments)	(3 635 780)	(3 955 573)	(4 363 946)	(4 265 000)	(4 291 000)
Total Annual Expense	14 785 582	6 228 427	6 473 054	7 312 000	8 200 000
Actuarial Loss / (Gain)	(74 476 137)	(1 954 427)	3 716 946	-	-
Closing Accrued Liability	81 877 000	86 151 000	96 341 000	103 653 000	111 853 000

7.1.3 Key actuarial assumptions used:

Valuation Assumptions

It is the relative levels of the discount rate and health care cost inflation to one another that are important, rather than the nominal values. The assumption regarding the relative levels of these two rates is our expectation of the long-term average.

GRAP25 defines the determination of the investment return assumption to be used as the rate that can be determined by reference to market yields (at the balance sheet date) on government bonds. The currency and term of the government bonds should be consistent with the currency and estimated term of the obligation.

1) Financial Variables

The key assumptions used in the valuation, with the prior years' assumptions shown for comparison, are summarised below:

Net Discount Rate	2016	2015
Discount rate (D)	8.18%	Yield Curve
Consumer price inflation (C)	5.87%	Difference between nominal and yield curves
Health care cost inflation (H)	7.37%	CPI+1%
Net discount rate $((1+D)/(1+H)-1)$	0.75%	Yield curve based

The methodology of setting the financial assumptions has been updated to be more duration specific. At the previous valuation date, 30 June 2015 the duration of liabilities was 3.07 years. At this duration the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2016 is 8.18% per annum, and the yield on the inflationlinked bonds of a similar term was about 1.71% per annum, implying an underlying expectation of inflation of 5.87% per annum $([1 + 8.18\% - 0.05\%] / [1 + 1.71\%] - 1)$.

A healthcare cost inflation rate of 7.37% was assumed. This is 1.5% in excess of the expected inflation over the expected term of the liability.

However, it is the relative levels of the discount rate and healthcare inflation to one another that are important, rather than the nominal values. We have thus assumed a net discount factor of 0.75% per annum $([1 + 8.18\%] / [1 + 7.37\%] - 1)$. This year's valuation basis is therefore stronger than previous year's basis from a discount rate perspective.

2) Demographic and Decrement Assumptions

The demographic and decrement assumptions were consistent in the previous and current valuation period, and are as follows:

	Active employees	Pensioners
Normal retirement age	65	-
Fully accrued age (to take account for ill-health and early retirement decrements)	63	-
Employment age used for past service period	Actual service entry ages	
Age difference between spouses	5 years	Actual ages used
Proportion married	Actual marital status	
Mortality	SA85-90 (Normal)	PA (90)

3) Withdrawal rates

The following withdrawal assumptions were applicable over the current valuation periods:

Age Band	Withdrawal rate Males	Withdrawal rate Females
20 - 24	16%	24%
25 - 29	12%	18%
30 - 34	10%	15%
35 - 39	8%	10%
40 - 44	6%	6%
45 - 49	4%	4%
50 - 54	2%	2%
55 - 59	1%	1%
60 +	0%	0%

4) Continuation Percentages

We have assumed continuation of the post-employment health care subsidy would be at 100% of active employees, or their surviving dependants.

7.1.4 The amounts recognised in the Statement of Financial Position are as follows:

	2016 R	2015 R
Present value of fund obligations	96 341 000	86 151 000
Fair value of plan assets	-	-
Unfunded Accrued Liability	96 341 000	86 151 000
Unrecognised Transitional Liability	-	-
Unrecognised Past Service Cost	-	-
Unrecognised Actuarial Gains/(Losses)	-	-
Miscellaneous Item	-	-
Net liability	96 341 000	86 151 000

7.1.5 The amounts recognised in the Statement of Financial Performance are as follows:

	2016 R	2015 R
Current service cost	3 052 000	2 793 000
Interest cost	7 785 000	7 391 000
Actuarial losses/ (gains)	3 716 946	(1 954 427)
Total included in employee related costs (Note 32) and Actuarial losses / (gains)	14 553 946	8 229 573

7.1.6 History of Liabilities, Assets and Experience Adjustments

i) Present value of accrued liability and Fair value of plan assets

	Year ending 30/06/2012 R'000	Year ending 30/06/2013 R'000	Year ending 30/06/2014 R'000	Year ending 30/06/2015 R'000	Year ending 30/06/2016 R'000
Present value of accrued liability	131 842	141 568	81 877	86 151	96 341
Fair Value of plan asset	-	-	-	-	-
Surplus / (deficit)	(131 842)	(141 568)	(81 877)	(86 151)	(96 341)

ii) Experience adjustments

Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred. The experience adjustments for the current period is as follows:

	Year ending 30/06/2012 R'000	Year ending 30/06/2013 R'000	Year ending 30/06/2014 R'000	Year ending 30/06/2015 R'000	Year ending 30/06/2016 R'000
Plan liabilities (Gain) / Loss	2 676	1 932	622	(145)	(91)
Plan assets	-	-	-	-	-

7.1.7 Sensitivity Analysis:

The accrued liability is a function of the valuation assumptions, and which may or may not be borne out in practice. Variations from these assumptions will emerge in future years as experience gains or losses recognised immediately in the income statement by Mossel Bay.

The valuation results are sensitive to changes in the underlying assumptions. The effects of varying these assumptions are illustrated below.

Discount Rate

The effect of a one percent increase and decrease in the net discount rates is as follows:

	1% decrease R000's	30 June 2016 Valuation basis R000's	1% increase R000's
Employer's accrued liability	110 652	96 341	85 275
Service cost	4 649	3 871	3 259
Interest cost	8 794	7 706	7 632

As per the table above, a 1% increase in the net discount rate results in a 11.49% decrease in the accrued liability whilst a 1% decrease in the discount rate will result in a 14.85% increase in the accrued liability.

Mortality

The table that follows shows the impact of a change in the mortality assumption from the base assumption of PA(90). We show the effect of higher and lower mortality rates by increasing and decreasing the mortality rates by 20%.

	-20% Mortality rate R000's	30 June 2016 Valuation basis 5A85-90 R000's	+20% Mortality rate R000's
Employer's accrued liability	102 394	96 341	91 430
Service cost	4 010	3 871	3 754
Interest cost	8 201	7 706	7 305

* Reducing the mortality by 20% implies that for each beneficiary they are likely to live longer having been assigned a mortality rate applicable to a younger individual and vice-versa when the mortality is increased by 20%.

The 20% negative adjustment would result in a 6.28% increase in the accrued liability whilst a 20% positive adjustment would result in a 5.10% decrease in the accrued liability.

7.2 EX-GRATIA GRATUITIES

7.2.1 Introduction and Statistics used:

The employer's Ex-Gratia Pensions liability consists of a commitment to pay pensions to eligible employees upon meeting the condition admissible for an Ex-Gratia Pension. This liability is also generated in respect of spouse dependants who are offered continued Ex-Gratia pensions on the death of the primary Ex-Gratia pensioner.

Mossel Bay is committed to pay Ex-Gratia Pensions as follows:

- Certain pensions are paid by the Municipality from its revenue and are therefore not funded by any of the Municipality's pension funds. The Revenue Pensions are also referred to as "Ex-Gratia" Pensions. Ex-Gratia pensioners receive a monthly Ex-Gratia pension, increased annually and payable for life.
- Spouses receive 60% upon the Ex-Gratia pensioner's death.
- Ex-Gratia Pension increase aim to target 50% of long term CPI.

Valuation Method

In accordance with the requirements of GRAP25, the Projected Unit Credit method has been applied. The assumption underlying the funding method is that the employer's Ex-Gratia Pensions costs in respect of an Ex-Gratia pensioner should be fully recognised by the time that the Ex-Gratia pensioner reaches fully accrued age whilst in service. The valuation has been made with reference Actuarial Society of South Africa (ASSA) guidelines, in particular, the Advisory Practice Note 207, and is consistent with the requirements of GRAP25.

Statistics on eligible retirees:

	2016	2015
Number of Pensioners	8	8
Average monthly subsidy (Rand)	2 065	2 091
Pension-weighted average age	82.0	74.8

7.2.2 Results of Valuation:

1) Accrued Liability

	2016 R	2015 R
Total Value of liabilities	1 625 000	1 742 000
Value of assets	-	-
Unfunded Accrued Liability	1 625 000	1 742 000

The total liability decreased by 6.7% over the accounting period.

2) Current-Service and Interest Costs

	2016 R	2015 R
Total Interest Costs	150 000	142 000

The service cost is nil as there are not active employees accruing service towards this benefit.

3) Actuarial gains and losses

	2016 R	2015 R
Actuarial (Gain)/Loss for the period	(68 737)	(23 737)

The main reasons for the actuarial gain can be attributed to the following factors:

1. Discount rate and modelling changes – The change in the net discount rate and modelling between actuaries during the valuation period resulted in a **decrease** to the accrued liability of **R 52 000**.

2. Miscellaneous - The miscellaneous effects resulted in a **decrease** in the liability by **R 16 737**.

4) Past and Future Changes in the Accrued Liability

	Year ending 30/06/2014 R	Year ending 30/06/2015 R	Year ending 30/06/2016 R	Year ending 30/06/2017 R	Year ending 30/06/2018 R
Opening Accrued Liability	1 793 426	1 822 000	1 742 000	1 625 000	1 475 000
Current-service Cost	-	-	-	-	-
Interest Cost	121 352	142 000	150 000	129 000	117 000
Benefit payments	(197 391)	(198 263)	(198 263)	(279 000)	(270 000)
Total Annual Expense	(76 039)	(56 263)	(48 263)	(150 000)	(153 000)
Actuarial Loss / (Gain)	104 613	(23 737)	(68 737)	-	-
Closing Accrued Liability	1 822 000	1 742 000	1 625 000	1 475 000	1 322 000

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7.2.3 Key actuarial assumptions used:

1) Financial Variables

The key assumptions used in the valuation, with the prior years' assumptions shown for comparison, are summarised below:

Net Discount Rate	2016	2015
Discount rate (D)	8.18%	Yield Curve
Consumer price inflation (C)	5.87%	Difference between nominal and yield curves
Ex-Gratia pension increase (60% of CPI)	7.37%	CPI+1%
Net discount rate $((1+D)/(1+H)-1)$	0.75%	Relationship between Discount Rate and Health Care Inflation Rate

It is the relative levels of the discount rate and Ex-Gratia pension increase target to one another that are important, rather than the nominal values. The assumption regarding the relative levels of these two rates is our expectation of the long-term average.

GRAP25 defines the determination of the investment return assumption to be used as the rate that can be determined by reference to market yields (at the balance sheet date) on government bonds. The currency and term of the government bonds should be consistent with the currency and estimated term of the obligation.

The methodology of setting the financial assumptions has been updated to be more duration specific. At the previous valuation date, 30 June 2015 the duration of liabilities was 6.52 years. At this duration the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2016 is 8.71% per annum, and the yield on the inflationlinked bonds of a similar term was about 1.71% per annum, implying an underlying expectation of inflation of 6.39% per annum $((1 + 8.71\% \cdot 0.05\%) / [1 + 1.71\%] - 1)$.

An Ex-Gratia pension increase rate of 3.20% was assumed. This is 50% of the expected inflation over the expected term of the liability.

However, it is the relative levels of the discount rate and healthcare inflation to one another that are important, rather than the nominal values. We have thus assumed a net discount factor of 5.34% per annum $((1 + 8.71\%) / [1 + 3.20\%] - 1)$. This year's

2) Demographic and Decrement Assumptions

The demographic and decrement assumptions were consistent in the previous and current valuation period, and are as follows:

	Pensioners
Age difference between spouses	Males 5 years older than Females
Proportion married	Actual marital status
Mortality	PA (90)

3) Continuation Percentages

We have assumed continuation of the Ex-Gratia pension would be at 60% of the principal Ex-Gratia pensioner.

7.2.4 The amounts recognised in the Statement of Financial Position are as follows:

	2016 R	2015 R
Present value of fund obligations	1 625 000	1 742 000
Fair value of plan assets	-	-
Unfunded Accrued Liability	1 625 000	1 742 000
Unrecognised Transitional Liability	-	-
Unrecognised Past Service Cost	-	-
Unrecognised Actuarial Gains/(Losses)	-	-
Miscellaneous Item	-	-
Net liability	1 625 000	1 742 000

	2016 R	2015 R
7.2.5 The amounts recognised in the Statement of Financial Performance are as follows:		
Current service cost	-	-
Interest cost	150 000	142 000
Actuarial losses/ (gains)	(68 737)	(23 737)
Total included in employee related costs (Note 32) and Actuarial losses / (gains)	81 263	118 263

7.2.6 History of Liabilities, Assets and Experience Adjustments:

1) Present value of accrued liability and Fair value of plan assets

	Year ending 30/06/2012	Year ending 30/06/2013	Year ending 30/06/2014	Year ending 30/06/2015	Year ending 30/06/2016
	R	R	R	R	R
Present value of accrued liability	1 632 326	1 793 426	1 822 000	1 742 000	1 625 000
Fair Value of plan asset	-	-	-	-	-
Surplus / (deficit)	(1 632 326)	(1 793 426)	(1 822 000)	(1 742 000)	(1 625 000)

2) Experience adjustments

Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred. The experience adjustments is as follows:

	Year ending 30/06/2012	Year ending 30/06/2013	Year ending 30/06/2014	Year ending 30/06/2015	Year ending 30/06/2016
	R	R	R	R	R
Plan liabilities (Gain) / Loss	223 622	207 048	16 000	(23 737)	5 000
Plan assets	-	-	-	-	-

7.2.7 Sensitivity analysis:

The accrued liability is a function of the valuation assumptions, and which may or may not be borne out in practice. Variations from these assumptions will emerge in future years as experience gains or losses recognised immediately in the income statement by Mossel Bay.

The valuation results are sensitive to changes in the underlying assumptions. The effects of varying these assumptions are illustrated below.

Discount rate

The effect of a one percent increase and decrease in the net discount rates is as follows:

	1% decrease	30 June 2016 Valuation basis	1% increase
	R000's	R000's	R000's
Employer's accrued liability	1 731	1 625	1 531
Interest cost	122	129	135

As per the table above, a 1% increase in the net discount rate results in a 5.78% decrease in the accrued liability whilst a 1% decrease in the discount rate will result in a 6.52% increase in the accrued liability.

Mortality

The table that follows shows the impact of a change in the mortality assumption from PA(90) to PA(90)-2 with a two year

	30 June 2016 Valuation basis PA(90)-2	PA(90)-2
	R000's	R000's
Employer's accrued liability	1 625	1 744
Interest cost	129	139

* PA(90)-2(with a two-year age adjustment) means that, to each beneficiary we assigned a mortality rate of an individual two years younger than that beneficiary. The resulting mortality implies that the individual lives longer than expected in the valuation basis.

The above table highlights the effects of a two year adjustment to the mortality assumption as at 30 June 2016. The adjustment would result in a 7.32% increase in the accrued liability.

7.3 LONG SERVICE AWARDS

7.3.1 Introduction and Statistics used:

LONG SERVICE AWARDS LIABILITIES

The long service bonus awards are accumulated leave days allocated for years of service by the employee to the Municipality. The long service bonus awards is allocated in the form of annual leave days and is convertible into cash in the year the employee attains the service eligible for an award. As a result the award is also a function of the employee's annual salary. The annual salary is converted into a daily salary by dividing the annual salary by 249.

Accounting Standard GRAP25 defines the determination of the investment return assumption to be used as the rate that can be determined by reference to market yields (at the balance sheet date) on government bonds. The currency and term of the government bonds should be consistent with the currency and estimated term of the obligation.

Valuation Method

Accrued liabilities are defined as the actuarial present value of all benefits expected to be paid in future based on service accrued to the valuation date and awards projected to retirement date.

In determining these liabilities, due allowance has been made for future award increases.

For each employee, this projection is based on the probability of being employed at each service award date, taking into account the assumed rates of withdrawal, early retirement and death.

In accordance with the requirements of GRAP25, the Projected Unit Credit method of funding has been applied.

Nature of the liability

The employer's long service bonus awards consist of an obligation to pay out a bonus in the year the employee attains the required service. This obligation represents a liability to the employer and the value is represented by the present value of the

MOSSEL BAY offers bonuses for every 5 years of completed service from 10 years to 40 years. In addition a 14th Cheque is awarded from 30 years of service onwards to 45 years. Below we outline the benefits awarded to qualifying employees.

Completed Service (Years)	Long Service Bonus Award (Working Days)	14th Cheque	Determination of cash bonus
10	10	-	$(10/249) \times \text{Annual Salary}$
15	15	-	$(15/249) \times \text{Annual Salary}$
20	20	-	$(20/249) \times \text{Annual Salary}$
25	25	-	$(25/249) \times \text{Annual Salary}$
30	30	14th cheque = $1/12 \times \text{Annual Salary}$	$(30/249 + 1/12) \times \text{Annual Salary}$
35	35	14th cheque = $1/12 \times \text{Annual Salary}$	$(35/249 + 1/12) \times \text{Annual Salary}$
40	40	14th cheque = $1/12 \times \text{Annual Salary}$	$(40/249 + 1/12) \times \text{Annual Salary}$
45	45	14th cheque = $1/12 \times \text{Annual Salary}$	$(45/249 + 1/12) \times \text{Annual Salary}$

*A day of accumulated leave is worth $1/249$ of the annual salary

Long service accumulated leave must be taken within one year of receiving such leave or may be wholly or partially cashed. We have assumed that in all cases, employees choose to exercise the option to wholly convert their accumulative leave bonus days into cash.

Valuation of Assets

We are not aware of any assets set aside for long service bonus awards funding that qualify as plan assets in terms of the requirements of GRAP25. As such we have ascribed a nil value to the fair value of plan assets.

Statistics on eligible employees:

	2016	2015
Number of eligible employees	868	849
Average annual salary (Rand)	147 777	145 970
Salary-weighted average age	42.37	43.69
Salary-weighted average past service	9.98	10.88

7.3.2 **Results of Valuation:**

1) Accrued Liability

	2016 R	2015 R
Total Value of liabilities	14 673 000	13 917 000
Value of assets	-	-
Unfunded Accrued Liability	14 673 000	13 917 000
Average liability per member	16 904	16 392

The total liability increased by 5.4% over the accounting period.

2) Current-Service and Interest Costs

	2016 R	2015 R
Current-service Cost	1 153 000	1 094 000
Interest Cost	1 272 000	1 088 000
Total Cost	2 425 000	2 182 000

3) Actuarial gains and losses

	2016 R	2015 R
Actuarial (Gain)/Loss for the period	(758 586)	(497 527)

The main reasons for the actuarial loss can be attributed to the following factors:

- 1. Discount rate changes** – The increase in the net discount rate **reduced** the accrued liability by **R 213 000**.
- 2. Net effect of staff movements** – The net effect in change of participants over the financial year resulted in **increase** in the liability by **R 84 000**.
- 3. Salary increase** – The salary assumption in the previous valuation was higher than the actual changes in salaried experienced as at 1 July 2015. This resulted in a **decrease** to the liability of **R 130 000**.
- 4. Miscellaneous** – The net effect of miscellaneous items in the data resulted in a **decrease** to the liability by **R 499 586**. Factors that make up the miscellaneous items are changes to membership composition, data changes, variations from demographic assumptions (i.e. rates of withdrawal).

4) Past and Future Changes in the Accrued Liability

	Year ending 30/06/2014 R	Year ending 30/06/2015 R	Year ending 30/06/2016 R	Year ending 30/06/2017 R	Year ending 30/06/2018 R
Opening Accrued Liability	9 628 292	13 276 000	13 917 000	14 673 000	16 117 000
Current-service Cost	775 231	1 094 000	1 153 000	1 100 000	1 228 000
Interest Cost	668 756	1 088 000	1 272 000	1 344 000	1 544 000
Benefit payments	(502 232)	(1 043 473)	(910 414)	(1 000 000)	(1 719 000)
Total Annual Expense	941 755	1 138 527	1 514 586	1 444 000	1 053 000
Actuarial Loss / (Gain)	2 705 953	(497 527)	(758 586)	-	-
Closing Accrued Liability	13 276 000	13 917 000	14 673 000	16 117 000	17 170 000

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7.3.3 Key actuarial assumptions used:

Due to guidance received from the auditing profession, the methodology of setting the financial assumptions has been updated to be more duration specific. At the previous valuation date, 30 June 2015 the duration of liabilities was 7.87 years. At this duration the discount rate determined by using the Bond Exchange Zero (JSE) Coupon Yield Curve as at 30 June 2016 is 8.86% per annum.

As mentioned in the paragraph above, the duration of liabilities was estimated to be 7.87 years at the previous valuation date of 30 June 2015. At 30 June 2016 the yield on inflation-linked bonds of a similar term was about 1.70% per annum. This implies an underlying expectation of inflation of 7.04% per annum $([1 + 8.86\%] / [1 + 1.70\%] - 1)$.

However, it is the relative levels of the discount rate and salary inflation to one another that are important, rather than the nominal values. We have assumed that salary inflation would exceed general inflation by 1.0% per annum, i.e. 8.04% per annum.

However, it is the relative levels of the discount rate and healthcare inflation to one another that are important, rather than the nominal values. We have thus assumed a net discount factor of 0.76% per

1) Financial Variables

The key assumptions used in the valuation, with the prior years' assumptions shown for comparison, are summarised below:

	2016	2015
Discount rate	8.86%	Yield curve
	7.04%	Difference between nominal and real yield curves
CPI		
Salary increase rate	8.04%	CPI + 1%
		Relationship between Discount Rate and Salary Increase Rate
Net Discount Rate	0.76%	
Mortality	SA85-90	SA85-90
Normal retirement age	65	65

NB The current yield rates as at 30 June 2016 were obtained from the same source as the prior year. The source was detailed in the preceding paragraphs, namely, the Bond Exchange (JSE) Zero Coupon Yield Curve.

2) Withdrawal Decrement

The following withdrawal assumptions were applicable over the current valuation periods:

Age Band	Withdrawal rate Males	Withdrawal rate Females
20 - 24	16%	24%
25 - 29	12%	18%
30 - 34	10%	15%
35 - 39	8%	10%
40 - 44	6%	6%
45 - 49	4%	4%
50 - 54	2%	2%
55 - 59	1%	1%
60 +	0%	0%

An average retirement age for all active employees was assumed to be 63 years to implicitly allow for ill-health and early retirements. The actual retirement age is 65 years.

7.3.4 The amounts recognised in the Statement of Financial Position are as follows:

	2016 R	2015 R
Present value of fund obligations	14 673 000	13 917 000
Fair value of plan assets	-	-
Unfunded Accrued Liability	14 673 000	13 917 000
Unrecognised Transitional Liability	-	-
Unrecognised Past Service Cost	-	-
Unrecognised Actuarial Gains/(Losses)	-	-
Miscellaneous Item	-	-
Net liability	14 673 000	13 917 000

7.3.5 The amounts recognised in the Statement of Financial Performance are as follows:

	2016 R	2015 R
Current service cost	1 153 000	1 094 000
Interest cost	1 272 000	1 088 000
Actuarial losses/ (gains)	(758 586)	(497 527)
Total included in employee related costs (Note 33) and Actuarial losses	1 666 414	1 684 473

7.3.6 History of Liabilities, Assets and Experience Adjustments:

i) Present value of accrued liability and Fair value of plan assets:

	Year ending 30/06/2012 R	Year ending 30/06/2013 R	Year ending 30/06/2014 R	Year ending 30/06/2015 R	Year ending 30/06/2016 R
Present value of accrued liability	8 124 926	9 628 292	13 276 000	13 917 000	14 673 000
Fair Value of plan asset	-	-	-	-	-
Surplus / (deficit)	(8 124 926)	(9 628 292)	(13 276 000)	(13 917 000)	(14 673 000)

ii) Experience adjustments

Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred. The experience adjustments is as follows:

	Year ending 30/06/2012 R	Year ending 30/06/2013 R	Year ending 30/06/2014 R	Year ending 30/06/2015 R	Year ending 30/06/2016 R
Plan liabilities (Gain) / Loss	131 466	986 908	850 000	(58 000)	(46 000)
Plan assets	-	-	-	-	-

7.3.7 Sensitivity Analysis:

The liability derived by this valuation is dependent on the assumptions set out, which may or may not be borne out in practice. Variations from these assumptions will emerge in future years as experience gains or losses and will be recognised by MOSSEL BAY in accordance with a consistently applied amortisation process.

The valuation results are sensitive to changes in the underlying assumptions. The effects of varying these assumptions are illustrated below.

Salary Inflation

The valuation bases assume that the salary inflation rate (which manifests itself as the annual increase in employees' salaries which determine the bonuses payable) will be 0.76% less than the corresponding discount rate, in the long term. The effect of a one percent increase and decrease in the salary inflation rates is as follows:

	1% decrease R000's	30 June 2016 Valuation basis R000's	1% increase R000's
Employer's accrued liability	13 613	14 673	15 857
Employer's expense cost	2 250	2 444	2 662

The above table illustrates that for the 30 June 2016 financial year, a 1% increase in the salary cost inflation assumption will result in roughly a 8.1% increase in the accrued liability. Similarly, a 1% decrease in the salary inflation assumption will result in roughly a 7.2% decrease in the accrued liability.

MOSSEL BAY MUNICIPALITY

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Mortality

The table that follows shows the impact of a change in the mortality assumption from SA85-90 to SA85-90 with a two year

	30 June 2016 Valuation basis SA85-90 R000's	SA85-90 -2 R000's
Employer's accrued liability	14 673	14 818
Employer's expense cost	2 444	2 468

* SA85-90 -2 (with a two-year age adjustment) means that, to each beneficiary we assigned a mortality rate of an individual two years younger than that beneficiary. The resulting mortality implies that the individual lives longer than expected in the valuation basis.

The above table highlights the effects of a two year adjustment to the mortality assumption as at 30 June 2016. The adjustment would result in a 1.0% increase in the accrued liability.

7.4 INFORMATION ABOUT THE MUNICIPALITY'S OTHER RETIREMENT FUNDS

The personnel of Mosselbay Municipality are members of the funds as set out below. These schemes are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below. The Cape Joint Pension Fund is a defined benefit plan, whereas the Cape Retirement Fund, the Municipal Councillors Fund and the Provident Fund are defined contribution plans. Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:

- The assets of each fund are held in one portfolio; these assets are not notionally allocated to each of the participating employers.
- One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- The same rate of contributions applies to all participating employers, and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

CAPE JOINT PENSION FUND

The Cape Joint Pension Fund is a multi-employer plan and the contribution rate payable is 9%, by the members and 18% by Council. The last valuation performed for the year ended 30 June 2014 (30 June 2013) revealed that the fund had an actuarial surplus of R23 343 000 (deficit of R10 030 000) with a funding level of 101.7% (99.2%), and is in a sound financial state as at 30 June 2014.

CAPE RETIREMENT FUND

The fund is in a sound financial condition at the valuation date of 30 June 2015. The total value of net assets of the Fund was R18.363 billion. An effective investment return of 5.2% per annum was awarded for the Growth Portfolio, 7.1% for the Protection Portfolio, 7.9% for the Moderate Portfolio and 7.2% per annum for the Pensioner Portfolio for the year ending 30 June 2015. The funding level for the Member Share Account was 100.0%, 100.0% for the Preservation Pension Account and 112.1% for the Pensions Account.

SALA PENSION FUND

The SALA Pension Fund is a multi-employer plan and the contribution rate payable is 9%, by the members and 18% by Council. The last valuation performed as on 1 July 2013 revealed that the fund had an actuarial surplus of R0 with a funding level of 100%, and is in a sound financial state as at 1 July 2013.

MUNICIPAL COUNCILLORS PENSION

The Municipal Councillors Pension Fund operates as a defined contribution scheme. The contribution rate paid by the members (13.75%) and council (15%) is sufficient to fund the benefits accruing from the fund in the future. The last valuation performed for the year ended 30 June 2012 revealed that the fund had a funding level of 99.5% (2009 - 102.0%), and is in a sound financial state as at 30 June 2012.

SOUTH AFRICAN MUNICIPAL WORKERS UNION NATIONAL PROVIDENT FUND

As actuaries of SAMWU provident Fund, Towers Watson, confirmed that the fund is financially stable, operates as a going concern and has no liquidity issues.

8. NON-CURRENT DEPOSITS

	2016	2015
	R	R
Santos Pavilion Repair Fund		
Balance at beginning of year	251 591	242 751
Contributions during the year	-	-
Interest on Investment	10 501	8 840
Expenditure during the year	-	-
	<u>262 092</u>	<u>251 591</u>

This fund was created after the Pavilion burnt down a number of years ago. An entrepreneur restored the pavilion to its original form in exchange for a 93-year lease at a reasonable rent. It was also a condition that he should make available an amount of R100 000 to Council as an investment. Interest earned may be used by Council for the maintenance of the building, should he fail to do it himself.

9. CONSUMER DEPOSITS

	2016	2015
	R	R
Electricity	12 520 012	10 981 730
Water	8 324 420	8 473 272
Total consumer deposits	<u>20 844 433</u>	<u>19 455 002</u>
Guarantees held in lieu of electricity deposits	<u>-</u>	<u>-</u>

No Guarantees are held in lieu of electricity and water. No interest accrues on consumer deposits.

10. PROVISIONS (CURRENT PORTION)

	2016	2015
	R	R
Rehabilitation of Landfill sites	-	990 936
Clearing of Alien Vegetation	1 000 000	250 000
Total Provisions	<u>1 000 000</u>	<u>1 240 936</u>

The movement in current provisions are reconciled as follows:

	2016	2015
	R	R
Rehabilitation of Landfill sites		
Balance at beginning of year	990 936	934 846
Transfer from non-current	-	990 936
Unused amount reversed to non-current	(990 936)	(934 846)
Expenditure incurred	-	-
Balance at end of year	<u>-</u>	<u>990 936</u>

Rehabilitation of Landfill sites:

This is the current portion which is due of the non-current provision. (refer note 6)

	2016	2015
	R	R
Clearing of Alien Vegetation		
Balance at beginning of year	250 000	600 000
Transfer from non-current	1 062 300	250 000
Unused amount reversed to non-current provision	-	(16 377)
Expenditure incurred	(312 300)	(583 623)
Balance at end of year	<u>1 000 000</u>	<u>250 000</u>

Clearing of Alien Vegetation:

This is the current portion which is due of the non-current provision. (refer note 6)

11. CURRENT EMPLOYEE BENEFITS

	2016	2015
	R	R
Current portion of Post Employment Health Care Benefits (Refer to note 7)	4 265 000	3 803 999
Current portion of Ex-Gratia Gratuities (Refer to note 7)	279 000	201 000
Current portion of Long Service Awards (Refer to note 7)	1 000 000	1 141 000
Staff Leave accrual	12 825 947	12 247 889
Performance Bonuses accrual	546 970	629 483
Employee Bonuses accrual	4 770 284	4 516 721
Employee Overtime / Standby allowances accrual	845 939	764 031
Total Current Employee Benefits	24 533 140	23 304 123
	2016	2015
	R	R
<i>Performance bonuses occur</i>		
Balance at beginning of year	629 483	652 930
Contributions to provisions	481 674	615 340
Expenditure incurred	(564 187)	(638 787)
Balance at end of year	546 970	629 483

Performance Bonus accrual:

Performance bonuses accrue to employees on an annual basis, subject to certain conditions. The accrual is an estimate of the amount due to staff as at the financial year end.

	2016	2015
	R	R
<i>Staff leave occur</i>		
Balance at beginning of year	12 247 889	11 432 078
Contributions to provisions	1 914 540	1 968 921
Expenditure incurred	(1 336 482)	(1 153 111)
Balance at end of year	12 825 947	12 247 889

Staff Leave Accrual:

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year-end and the total remuneration package of the employee.

	2016	2015
	R	R
<i>Employee bonus occur</i>		
Balance at beginning of year	4 516 721	4 240 620
Contributions to provisions	4 770 284	4 516 721
Expenditure incurred	(4 516 721)	(4 240 620)
Balance at end of year	4 770 284	4 516 721

Employee bonus Accrual:

Annual bonuses accrue to employees on an annual basis, based on the employee contract. These accruals are an estimate of the amount due to staff as at the financial year end.

	2016	2015
	R	R
<i>Employee Overtime / Standby allowances</i>		
Balance at beginning of year	764 031	798 823
Contributions to provisions	845 939	764 031
Expenditure incurred	(764 031)	(798 823)
Balance at end of year	845 939	764 031

Employee Overtime / Standby allowances accrual:

An accrual is done for the Overtime/Standby allowances that accrued to employees with regards to the financial year.

12. PAYABLES FROM EXCHANGE TRANSACTIONS

	2016	2015
	R	R
Trade payables	60 036 256	59 025 589
Payments received in advance	23 776 134	23 014 933
Accrued Expenditure	20 358	100 282
Retentions	8 508 867	9 102 215
Other payables	1 078 969	263 500
Other deposits	3 212 240	8 027 385
Total Payables from exchange transactions	96 632 826	99 533 905

Refer to Note 41.2 & 41.9 for details regarding the restatement of previous year balances.

The fair value of trade and other payables approximates their carrying amounts. Trade and other payables are normally settled on 30 day terms in accordance with the MFMA. No interest is charged for the first 30 days from the date of receipt of the invoice/statement. Thereafter interest is charged in accordance with the credit policies of the various individual creditors.

13. UNSPENT / (UNPAID) CONDITIONAL GRANTS AND RECEIPTS

	2016 R	2015 R
13.1.1 Unspent conditional grants from spheres of government	20 143 845	33 812 337
Provincial Grants (Note 29)	20 081 725	27 092 658
National Grants (Note 29)	43 391	6 719 679
District Municipality (Note 29)	18 729	-
Other Government Grants (Note 29)	-	-
13.1.2 Unspent other conditional receipts	612 548	101 875
Developers contributions (Note 31)	-	-
Public contributions (Note 31)	612 548	101 875
Total unspent conditional grants and receipts	20 756 394	33 914 212
13.2.1 Unpaid conditional grants from spheres of government	(2 340 000)	(155 677)
Provincial Grants (Note 29)	-	-
National Grants (Note 29)	(2 340 000)	-
District Municipality (Note 29)	-	(155 677)
Other Government Grants (Note 29)	-	-
13.2.2 Unpaid other conditional receipts	(175 000)	-
Public contributions (Note 31)	(175 000)	-
Total unpaid conditional grants and receipts	(2 515 000)	(155 677)

These amounts are invested in a ring-fenced investments until utilised in terms of section 12 of the MFMA.

Refer to Note 29 for reconciliation of Grants & Subsidies and Note 31 for reconciliation of Public Contributions. Also refer to Appendix D for detail per Vote, per Project and Per Grant/contribution.

The National grants shown as unpaid at year end is Municipal Infrastructure funds where the funds was shifted from the 1617 financial year to the 1516 financial year. The Public contribution funds unpaid is for the Mossel Bay Golf club parking area project. These funds was received in July 2016.

Refer to Note 41.10 for details regarding the restatement of previous year balances.

14. VAT Payable / Receivable

	2016 R	2015 R
VAT Payable	-	-
VAT Receivable	5 603 034	10 057 420
Total VAT Receivable / (Payable)	5 603 034	10 057 420

VAT is payable on the receipts basis. Only once payment is received from debtors VAT is paid over SARS.

Refer to Note 41.2 & 41.7 for details regarding the restatement of previous year balances.

15. PROPERTY, PLANT & EQUIPMENT

	2016 R	2015 R
As at 30 June 2016		
Carrying values at the beginning of the year	1 761 054 287	1 702 302 423
Cost	2 139 157 980	2 068 404 482
Under Construction	91 596 985	51 512 850
Accumulated Depreciation	(469 700 678)	(417 614 909)
Movement In Cost:		
Acquisitions - PPE	53 661 703	81 190 877
Disposals	(16 839 162)	(9 350 978)
Impairment losses	-	(1 363 370)
Reversal of Impairment losses	1 811 569	276 969
Movement in Under Construction:		
Under Construction - Additions	136 206 712	109 759 570
Completed Under construction	(43 303 247)	(69 675 435)
Movement in Accumulated Depreciation:		
Depreciation	(64 578 695)	(58 328 034)
Accumulated Depreciation on disposals	4 001 371	6 242 265
Carrying values at the end of the year	1 832 014 537	1 761 054 287
Cost	2 177 792 090	2 139 157 980
Under Construction	184 500 450	91 596 985
Accumulated Depreciation	(530 278 002)	(469 700 678)

Refer to Note 41.1 & 41.2 & 41.3 for details regarding the restatement of previous year balances.

Refer to Notes 43.1 for detail regarding the change in accounting estimates relating to changes in useful lives and residual values of PPE assets.

Refer to Note 50 for the amount of contractual commitment for the acquisition of PPE. The amount of R82 527 253 for contractual commitments is approved and contracted.

Finance lease liabilities are secured over the items of computer equipment and office equipment leased. The total carrying value of these leased assets at 30 June 2016 is R1 278 224 and include leased assets where the finance leases have been fully redeemed, but the assets are still used by the municipality. The monthly payments regarding these leased assets are treated as operating leases.

Included in the Infrastructure cost is an amount of R127 832 541 for the Seawater Desalination Plant which was completed during the 2012/13 year and is the Municipality's portion of the capital expenditure for the construction of a jointly-owned 15 Mega litres per day Seawater Desalination facility. There are no budgeted capital commitments toward the Seawater Desalination facility for the following year.

The impairment the main pavilion at Kiebeeck Stadium due to structural damage were reversed as a result of the restoration work that were completed in June 2016. The rest of the impairment reversal is due to the unwinding of the interest as a result in the change of interest rates on the restoration cost of landfill sites. The status of the guard hut at Louis Fourie land fill site, is unchanged. The latter have been classified as part of a non-cash generating unit. No active market exist for the capital asset, therefore the recoverable service amount was determined. The restoration cost approach was used to determine the value in use.

Within the asset sub-class of Furniture and Office Equipment there is one fully depreciated capital asset that is still in use. The original cost of the capital asset is immaterial.

ANALYSIS OF CAPITAL ASSETS AS AT 30 JUNE 2016

ANALYSIS OF CAPITAL ASSETS AS AT 30 JUNE 2016														
	Cost							Accumulated Depreciation					Carrying value	
	Opening Balance	Under Construction	Fair Value Adjustments	Additions and Finalised WIP	Transfers (From) or To	Impairment Loss or (Reversal)	Disposed	Closing Balance	Opening Balance	Transfers (From) or To	Additions	Disposed		Closing balance
	R	R	R	R	R	R	R	R	R	R	R	R		R
INFRASTRUCTURE ASSETS														
Elec. Generation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Elec. Reticulation	238 555 182	41 011 411	-	76 165	-	-	9 949	279 632 809	62 672 726	-	5 423 012	2 531	68 093 207	211 539 602
Solid Waste Refuse	16 711 634	-	-	-	-	-519 441	-	17 231 075	13 216 069	-	473 315	-	13 689 384	3 541 691
Roads, Pavements & Bridges	395 190 519	62 191 641	-	-	-	-	1	457 382 159	95 312 584	-	13 320 276	-	108 632 860	348 749 299
Sewerage: Purification	52 891 331	4 720 706	-	-	-	-	1 253	57 612 037	33 641 937	-	1 714 420	1 252	35 355 113	62 064 271
Sewerage: Reticulation	241 820 856	7 675 186	-	-	-	-	1 622	249 494 420	51 945 503	-	7 021 725	1 544	58 965 684	190 528 736
Stormwater	104 842 071	-	-	-	-	-	-	104 842 071	15 665 407	-	1 990 979	-	17 656 386	87 185 686
Street Lighting	3 082 206	-	-	-	-	-	-	3 082 206	425 591	-	144 932	-	570 523	2 511 683
Water: Dams & Reservoirs	47 459 388	-	-	10 260	-	-	33 425	47 436 223	19 464 962	-	922 360	23 934	20 363 388	27 072 835
Water: Purification	223 060 512	-	-	-	-	-	28 373	223 032 139	32 750 120	-	7 078 618	3 784	39 824 954	183 207 185
Water: Reticulation	148 566 862	19 669 529	-	-	-	-	82 219	168 154 172	45 983 947	-	5 674 136	19 274	51 638 809	116 515 363
Sub-Total	1 511 981 160	135 276 473	-	86 425	-	-519 441	156 841	1 647 706 657	371 078 847	-	43 763 779	52 318	414 790 307	1 232 916 350
COMMUNITY ASSETS														
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cemeteries	919 180	-	-	-	-	-	-	919 180	131 101	-	107 992	-	239 094	680 086
Clinics	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community Halls	30 484 127	-	-	-	-	-	-	30 484 127	2 980 692	-	593 749	-	3 574 441	26 909 685
Fire, Safety & Emergency	7 280 782	-	-	-	-	-	-	7 280 782	1 142 032	-	269 630	-	1 411 663	5 869 119
Libraries	9 492 920	-	-	-	-	-	50 978	9 441 942	1 132 451	-	251 302	4 592	1 379 161	8 062 781
Museums & Art Galleries	430 000	-	-	-	-	-	-	430 000	-	-	-	-	-	430 000
Parks & Gardens	7 063 227	-	-	-	-	-	-	7 063 227	-	-	-	-	-	7 063 227
Recreational Facilities	49 566 869	-	-	-	-	-	-	49 566 869	10 488 365	-	3 304 413	-	13 792 777	35 774 092
Social Rental Housing	25 148 017	-	-	-	-	-	-	25 148 017	3 417 497	-	817 494	-	4 234 991	20 913 026
Sport fields & Stadiums	138 481 901	2 235 864	-	-	-	-1 292 129	-	142 009 894	19 375 888	-	3 070 012	-	22 445 900	119 563 994
Swimming Pools	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community Other	54 871 281	-	-	-	-	-	-	54 871 281	5 247 745	-	1 809 039	-	7 056 784	47 814 497
Sub-Total	323 738 304	2 235 864	-	-	-	-1 292 129	56 910	327 215 319	43 915 771	-	10 223 632	4 592	54 134 811	273 080 508
Total carried forward	1 835 719 464	137 512 337	-	86 425	-	-1 811 569	207 819	1 974 921 976	414 994 617	-	53 987 411	56 910	468 925 119	1 505 996 858

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	Cost								Accumulated Depreciation					Carrying value
	Opening Balance	Under Construction	Fair Value Adjustments	Additions and Finalised WIP	Transfers (From) or To	Reclassified	Disposed	Closing Balance	Opening Balance	Transfers (From) or To	Additions	Disposed	Closing balance	
	R	R	R	R	R	R	R	R	R	R	R	R	R	
Total brought over	1 835 719 464	137 512 337	-	86 425	-	-1 811 569	207 819	1 974 921 976	414 994 617	-	53 987 411	56 910	468 925 119	1 505 996 858
OTHER ASSETS														
Civic Land & Buildings	68 230 234	-	-	145 838	-	-	-	68 376 072	3 817 271	-	629 832	-	4 447 103	63 928 969
Other Buildings	43 024 642	22 309 524	-	29 121	-	-	-	65 363 286	6 683 066	-	1 467 689	-	8 150 755	57 212 531
Other Land	135 169 709	-	-	-	-	-	11 500 000	123 669 709	-	-	-	-	-	123 669 709
Computers: Hardware & Eqpt	11 497 501	-	-	3 633 417	-	-	2 563 700	12 567 218	4 949 180	-	2 170 195	1 918 711	5 200 664	7 366 554
Furniture & Office Equipment	20 178 776	-	-	1 642 910	-	-	1 655 373	20 166 313	9 798 489	-	1 813 553	1 367 858	10 244 183	9 922 130
General Vehicles	29 800 984	-	-	2 062 212	-	-	324 914	31 538 282	11 470 444	-	1 878 890	206 539	13 142 794	18 395 488
Plant & Equipment	20 979 844	18 868 451	-	1 550 711	-	-	573 755	40 825 251	12 809 333	-	1 701 409	445 025	14 065 717	26 759 534
Security Measures	3 917 321	5 810 139	-	26 428	-	-	13 602	9 740 286	1 269 191	-	473 364	6 327	1 736 228	8 004 058
Specialised Vehicles	13 597 527	-	-	1 505 117	-	-	-	15 102 644	3 891 160	-	454 755	-	4 345 915	10 756 729
Other Assets	21 502	-	-	-	-	-	-	21 502	17 927	-	1 596	-	19 524	1 978
Sub-Total	346 418 040	46 988 114	-	10 595 754	-	-	16 631 343	387 370 564	54 706 061	-	10 591 284	3 944 461	61 352 884	326 017 680
Total Property, Plant & Equipment	2 182 137 504	184 500 450	-	10 682 179	-	-1 811 569	16 839 162	2 362 292 540	469 700 678	-	64 578 695	4 001 371	530 278 002	1 832 014 538
INTANGIBLE ASSETS														
Intangible Assets: Software	423 816	-	-	458 101	-	-	46 813	835 104	156 699	-	71 576	44 696	183 579	651 525
Intangible Assets: Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	423 816	-	-	458 101	-	-	46 813	835 104	156 699	-	71 576	44 696	183 579	651 525
HERITAGE ASSETS														
Heritage Assets: Buildings	3 397 827	-	-	-	-	-	-	3 397 827	-	-	-	-	-	3 397 827
Heritage Assets: Other	732 769	-	-	-	-	-	-	732 769	-	-	-	-	-	732 769
Heritage Assets: Monuments	95 003	-	-	-	-	-	-	95 003	-	-	-	-	-	95 003
	4 225 599	-	-	-	-	-	-	4 225 599	-	-	-	-	-	4 225 599
INVESTMENT PROPERTIES														
Investment Property: Buildings	71 412 645	-	-	-	-	-	-	71 412 645	6 741 367	-	936 212	-	7 677 579	63 735 067
Investment Property: Land	540 916 270	-	-	-	-	-	396 426	540 519 844	-	-	-	-	-	540 519 844
	612 328 915	-	-	-	-	-	396 426	611 932 489	6 741 367	-	936 212	-	7 677 579	604 254 910
Grant Total Capital Assets	2 799 115 834	184 500 450	-	11 140 280	-	-1 811 569	17 282 401	2 979 285 732	476 598 744	-	65 586 483	4 046 067	538 139 160	2 441 146 572
INCLUDED ABOVE:														
Leased Assets:	3 923 579	-	-	-	-	-	1 804 326	2 119 253	2 082 229	-	635 401	1 278 224	1 439 406	679 848
Computer Hardware	3 282 568	-	-	-	-	-	1 630 554	1 652 013	1 722 228	-	571 529	1 111 123	1 182 634	469 379
Computer Software	41 477	-	-	-	-	-	41 477	-	39 151	-	1 158	40 309	-0	0
Office Machines	599 535	-	-	-	-	-	132 295	467 240	320 851	-	62 714	126 793	256 772	210 468
Vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Land & Buildings (PPE):	529 565 112	-	-	174 959	-	-	11 500 001	518 240 070	26 454 936	-	8 038 200	-	34 493 136	483 746 934
Land	263 260 737	-	-	-	-	-	11 500 001	251 760 736	-	-	-	-	-	251 760 736
Buildings	266 304 375	-	-	174 959	-	-	-	266 479 334	26 454 936	-	8 038 200	-	34 493 136	231 986 198

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ANALYSIS OF CAPITAL ASSETS AS AT 30 JUNE 2015

	Cost							Accumulated Depreciation					Carrying value	
	Opening Balance	Under Construction	Fair Value Adjustments	Additions and Finalised WIP	Transfers (From) or To	Impairment Loss or (Reversal)	Disposed	Closing Balance	Opening Balance	Transfers (From) or To	Additions	Disposed		Closing balance
	R	R	R	R	R	R	R	R	R	R	R	R		R
INFRASTRUCTURE ASSETS														
Elec. Generation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Elec. Reticulation	190 820 790	25 967 084	-	40 384 666	529 954	-	-	257 702 495	58 213 556	-	4 459 170	-	62 672 726	195 029 769
Solid Waste	38 498 920	-	-	2 137 190	-	-205 728	-	40 841 838	8 715 376	-	4 500 693	-	13 216 069	27 625 769
Refuse	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Roads, Pavements & Bridges	348 912 240	35 660 684	-	7 221 456	-	-	86 669	391 707 711	84 686 121	-	10 665 887	39 424	95 312 584	296 395 127
Sewerage: Purification	56 691 095	1 064 390	-	3 730 463	-	-	2 630	92 681 931	32 293 331	-	1 351 270	2 534	33 641 937	55 049 593
Sewerage: Reticulation	239 345 322	4 153 300	-	2 897 709	-	-	194 868	246 201 463	45 098 586	-	6 882 532	35 615	51 945 503	194 255 960
Stormwater	98 805 785	754 392	-	5 283 098	-	-	1 204	104 842 072	13 974 009	-	1 692 078	681	15 665 407	89 176 665
Street Lighting	2 997 830	-	-	84 376	-	-	-	3 082 206	336 640	-	88 951	-	425 591	2 656 615
Water: Dams & Reservoirs	46 721 188	-	-	744 754	-	-	6 554	47 459 388	18 554 445	-	916 864	6 348	19 464 962	27 994 426
Water: Purification	222 590 554	-	-	508 692	-	-	38 734	223 060 512	25 754 558	-	7 028 437	32 874	32 750 120	190 310 392
Water: Reticulation	140 780 995	11 130 935	-	4 044 420	-	-	2 947 343	153 009 006	43 032 984	-	5 012 675	2 061 713	45 983 947	107 025 059
Sub-Total	1 416 464 720	79 631 393	-	67 044 828	529 954	-205 728	3 278 001	1 560 598 621	330 659 607	-	42 598 489	2 179 249	371 078 847	1 189 519 774
COMMUNITY ASSETS														
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cemeteries	919 180	-	-	-	-	-	-	919 180	101 848	-	29 254	-	131 101	788 079
Clinics	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community Halls	30 484 127	-	-	-	-	-	-	30 484 127	2 565 678	-	415 015	-	2 980 692	27 503 434
Fire, Safety & Emergency	7 280 782	-	-	-	-	-	-	7 280 782	963 867	-	178 165	-	1 142 032	6 138 750
Libraries	9 503 590	9 664	-	-	-	-	20 334	9 492 920	966 325	-	167 511	1 386	1 132 451	8 360 469
Museums & Art Galleries	430 000	-	-	-	-	-	-	430 000	-	-	-	-	-	430 000
Parks & Gardens	7 070 077	-	-	-	-	-	6 850	7 063 227	3 526	-	205	3 730	0	7 063 227
Recreational Facilities	49 566 869	-	-	-	-	-	-	49 566 869	8 924 683	-	1 563 682	-	10 488 365	39 078 505
Social Rental Housing	25 148 017	-	-	-	-	-	-	25 148 017	2 937 423	-	480 074	-	3 417 497	21 730 520
Sport fields & Stadiums	139 774 708	-	-	-	-	1 282 125	673	138 481 901	16 615 185	-	2 761 277	574	19 375 888	119 106 013
Swimming Pools	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community Other	54 991 947	-	-	-	-	-	120 666	54 871 281	4 415 457	-	832 288	-	5 247 745	49 623 536
Sub-Total	325 169 298	5 690	-	-	-	1 292 129	148 529	323 738 304	37 493 991	-	6 427 470	5 690	43 915 771	279 822 534
Total carried forward	1 741 634 017	79 641 057	-	67 044 828	529 954	1 086 401	3 426 530	1 884 336 925	368 153 598	-	49 025 959	2 184 939	414 994 617	1 469 342 308

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Cost								Accumulated Depreciation					Carrying value
Opening Balance	Under Construction	Fair Value Adjustments	Additions and Finalised WIP	Transfers (From) or To	Impairment Loss or (Reversal)	Disposed	Closing Balance	Opening Balance	Transfers (From) or To	Additions	Disposed	Closing balance	
R 1 741 634 017	R 79 641 057	R -	R 67 044 828	R 529 954	R 1 086 401	R 3 426 530	R 1 884 336 925	R 368 153 598	R -	R 49 025 959	R 2 184 939	R 414 994 617	R 1 469 342 308
68 230 234	-	-	-	-	-	-	68 230 234	3 136 824	-	680 448	-	3 817 271	64 412 963
39 571 613	3 449 117	-	3 911	-	-	-	43 024 642	5 638 108	-	1 044 958	-	6 683 066	36 341 575
135 284 709	-	-	-	-	-	115 000	135 169 709	-	-	-	-	-	135 169 709
7 879 294	-	-	4 438 263	-	-	820 057	11 497 501	3 842 297	-	1 669 886	563 003	4 949 180	6 548 321
19 438 119	-	-	1 873 969	-	-	1 133 312	20 178 776	8 753 032	-	1 599 432	553 975	9 798 489	10 380 287
27 392 495	-	-	3 834 406	-	-	1 425 917	29 800 984	10 728 108	-	1 861 099	1 118 764	11 470 444	18 330 540
13 677 800	7 560 758	-	1 078 112	-529 954	-	806 873	20 979 844	11 689 098	-	1 755 510	635 275	12 809 333	8 170 511
2 152 534	946 053	-	818 735	-	-	-	3 917 321	1 000 817	-	268 374	-	1 269 191	2 648 130
13 122 164	-	-	2 098 652	-	-	1 623 289	13 597 527	4 656 631	-	420 839	1 186 309	3 891 160	9 706 367
21 502	-	-	-	-	-	-	21 502	16 397	-	1 530	-	17 927	3 575
326 770 465	11 955 928	-	14 146 049	-529 954	-	5 924 448	346 418 040	49 461 312	-	9 302 075	4 057 326	54 706 061	291 711 979
2 068 404 482	91 596 985	-	81 190 877	-	1 086 401	9 350 978	2 230 754 965	417 614 909	-	58 328 034	6 242 265	469 700 678	1 761 054 287
419 126	-	-	4 690	-	-	-	423 816	99 638	-	57 061	-	156 699	267 117
-	-	-	-	-	-	-	-	-	-	-	-	-	-
419 126	-	-	4 690	-	-	-	423 816	99 638	-	57 061	-	156 699	267 117
3 397 827	-	-	-	-	-	-	3 397 827	-	-	-	-	-	3 397 827
732 769	-	-	-	-	-	-	732 769	-	-	-	-	-	732 769
95 003	-	-	-	-	-	-	95 003	-	-	-	-	-	95 003
4 225 599	-	-	-	-	-	-	4 225 599	-	-	-	-	-	4 225 599
71 412 645	-	-	-	-	-	-	71 412 645	5 805 337	-	936 029	-	6 741 367	64 671 279
541 294 762	-	-	-	-	-	378 492	540 916 270	-	-	-	-	-	540 916 270
612 707 408	-	-	-	-	-	378 492	612 328 915	5 805 337	-	936 029	-	6 741 367	605 587 548
2 685 756 614	91 596 985	-	81 195 567	-	1 086 401	9 729 470	2 847 733 295	423 519 884	-	59 321 124	6 242 265	476 598 744	2 371 134 551
4 970 377	-	-	196 292	-	-	1 303 742	3 862 927	2 291 566	-	795 450	1 041 190	2 045 826	1 817 101
3 826 796	-	-	60 275	-	-	606 871	3 280 199	1 393 603	-	722 372	394 449	1 721 527	1 558 673
41 477	-	-	-	-	-	-	41 477	37 996	-	1 155	-	39 151	2 326
518 960	-	-	136 018	-	-	113 726	541 251	306 501	-	56 162	77 514	285 149	256 102
583 144	-	-	-	-	-	583 144	-	553 466	-	15 761	569 227	-	-
515 212 581	37 954	-	3 911	-	-	235 666	515 018 781	22 318 427	-	4 125 957	-	26 444 384	488 574 396
251 042 889	-	-	-	-	-	235 666	250 807 223	-	-	-	-	-	250 807 223
264 169 691	37 954	-	3 911	-	-	-	264 211 557	22 318 427	-	4 125 957	-	26 444 384	237 767 173

16. BIOLOGICAL ASSETS

	Quantity (Hectar)	Fair value (per Hectar) R	2016 R	2015 R
Pine Grove Plantation	-	-	-	-
			-	-

Fair value of biological assets is based on selling prices less costs to sell in an open active market. These prices were obtained from a suitable qualified Forest Economist. The Forest Economist used the following methodologies in order to compile a salvage value, faustmann formula and discounted cash flow.

The trees of Pine grove plantation, which was located on farms 25 and 46 (Great brak river), were harvested during the previous financial year. Council decided rather to lease the property than to re-plant.

Reconciliation of fair value:

	2016 R	2015 R
Opening Fair Value	-	1 961 495
Sale of timber	-	-1 961 495
Closing Fair Value	-	-

No title or other restrictions are placed on biological assets.

No biological assets were pledged as security for liabilities.

There are no commitments for the acquisition of biological assets.

17. INTANGIBLE ASSETS

	2016 R	2015 R
Carrying values at the beginning of the year	267 117	319 488
Cost	423 816	419 126
Accumulated amortisation	(156 699)	(99 638)
Movement in Cost:		
Acquisitions	458 101	4 690
De-recognition	(46 813)	-
Movement in Accumulated Depreciation:		
Amortisation	(71 576)	(57 061)
Amortisation written back on de-recognition	44 696	-
Carrying values at the end of the year	651 525	267 117
Cost	835 104	423 816
Accumulated amortisation	(183 579)	(156 699)

Intangible assets are initially recognised at cost and are carried at cost less accumulated amortisation and impairments.

Intangible assets have finite useful lives and the estimated remaining useful lives are reviewed at each reporting period.

The amortisation expense is included in the line item "Amortisation - Intangible Assets" (Note 35) in the Statement of Financial Performance.

The municipality does not have any internally generated intangible assets.

No restrictions are placed on intangible assets.

No intangible assets were pledged as security for liabilities.

Refer to Note 41.4 for details regarding the restatement of previous year balances.

Refer to Notes 43.1 for detail regarding the change in accounting estimates relating to changes in useful lives and residual values of Intangible assets.

18. INVESTMENT PROPERTY

	2016 R	2015 R
Carrying values at the beginning of the year	605 587 548	606 902 070
Cost	612 328 915	612 707 408
Accumulated Depreciation	(6 741 367)	(5 805 337)
<u>Movement in Cost:</u>		
Acquisitions	-	-
De-recognition	(396 426)	(378 492)
<u>Movement in Accumulated Depreciation:</u>		
Depreciation	(936 212)	(936 029)
Accumulated Depreciation on disposals	-	-
Carrying values at the end of the year	604 254 910	605 587 548
Cost	611 932 489	612 328 915
Accumulated Depreciation	(7 677 579)	(6 741 367)
Amounts included in Surplus/Deficit for the year, are as follows:		
Rental Revenue from Investment Property	1 509 918	1 311 602
<u>Repairs and Maintenance on:</u>		
Cash generating property	-	-
Non-cash generating property	-	-

Refer to Note 41.5 for details regarding the restatement of previous year balances.

Refer to Notes 42.1 for detail regarding change in accounting policy.

At initial recognition, the municipality measures Investment Property at cost and the cost model is applied to investment property for subsequent measurement. Under the cost model, Investment Property is carried at its cost minus accumulated depreciation at the reporting date.

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of de-recognition.

No investment properties were pledged as security for liabilities.

19. HERITAGE ASSETS

	2016 R	2015 R
Carrying values at the beginning of the year	4 225 599	4 225 599
Cost	4 225 599	4 225 599
<u>Movements:</u>		
None	-	-
Carrying values at the end of the year	4 225 599	4 225 599
Cost	4 225 599	4 225 599

The following Heritage Assets were identified, but no value could be provided:

Site 3419, Mossel Bay - Cave at the point

The Cape st. Blaize Cave at the point in Mosselbay situated on site 3419 is classified as a heritage asset controlled and owned by the Municipality. The Cape st. Blaize Cave yield artefacts dating back 80 000 years. The artefacts it selves are housed at the Culture Museum which is not controlled or owned by the Municipality.

Sites 7357 en 2938, Mossel Bay - Harry Giddey

The Harry Giddey Park on site 2938 is classified as a heritage asset of the Municipality. The park was erected in 1887 and originally named after Queen Victoria of England to commemorate her 50th year as Queen. The park was renamed later in 1939 as the Harry Giddey Park in honour of Mr Harry Giddey, a wealthy person of Mossel Bay for all the efforts to upgrade the park.

20. LONG-TERM RECEIVABLES

	2016	2015
	R	R
Long-term receivables:	1 647 076	1 929 032
Study Loans	133 335	129 080
Land Sales Debtors	13 921	15 456
Public Assistance Loans	70 333	127 242
Housing Selling Scheme Loans	1 429 486	1 657 254
Less: Current portion transferred to current receivables	360 849	404 057
Land Sales Debtors	3 159	3 195
Public Assistance Loans	44 505	70 675
Housing Selling Scheme Loans	313 185	330 187
Less: Provision for Debt Impairment of long-term receivables	978 734	1 296 493
Housing Selling Scheme Loans	978 734	1 296 493
Total	307 493	228 483
Reconciliation of Debt Impairment of Long-term receivables	2016	2015
	R	R
Balance at beginning of year	1 296 493	884 291
Contribution to / (Reversal from) provision	(317 758)	412 201
Bad Debts written off / recovered	-	-
Balance at end of year	978 734	1 296 493

Outstanding Land Sales debtors and Housing selling scheme loans were summarised in scheme numbers. A payment % report was also drawn from the system per suburb, as the report can not be drawn per scheme, and vice versa. A payment percentage of 40.52 % was established and a provision for debt impairment was made for 59.48%.

No provision for debt impairment to be recognised for study and public assistance loans.

Refer to Note 41.7 & 41.12 for details regarding the restatement of previous year balances.

Land Sales

Loans were granted to qualified individuals by Council. These loans attract interest at market-related interest rates.

Public assistance loans

To facilitate the development of sporting facilities, loans were made to provide the necessary financial assistance. These loans attract interest at a rate of between 12% and 15% per annum. The last repayment is in September 2018.

Housing Selling Scheme Loans

Housing loans are granted to qualifying individuals in terms of the National Housing Policy. These loans attract interest at a rate determined by the National Minister of Housing.

21. INVENTORY

	2016	2015
	R	R
Consumable stores	629 652	1 956 689
Maintenance materials	7 995 246	7 908 705
Meters	338 913	472 689
Spare parts	188	1 042
Housing Topstructures	1 062 920	9 454 922
Unsold property held for resale	10 347 679	10 347 679
Purification Materials	1 320 959	602 937
Water purification	215 397	242 242
Total inventory	21 910 953	30 986 907

Inventory to the value of R782 217 (R73 479 in 2014/15) was written off during the financial year. R731 580 of this total is redundant inventory which was sold at an auction.

Housing topstructure inventory relates to Azizani/Zinyoka housing project, Herbertsdale 154 Topstructures and housing emergency kits for which Mossel Bay municipality is the appointed developer.

Refer to Note 41.6 for details regarding the restatement of previous year balances.

All inventory for the current year are carried at cost.

22. RECEIVABLES FROM EXCHANGE TRANSACTIONS

As at 30 June 2016

	Gross Balances	Provision for Debt Impairment	Net Balance
	R	R	R
Service debtors	57 118 451	6 693 215	50 425 236
Electricity	34 592 461	1 902 697	32 689 764
Water	14 439 640	2 322 663	12 116 977
Refuse	2 721 774	331 946	2 389 828
Sewerage	5 364 576	2 135 909	3 228 668
Debtback Collections	1 328 914	1 325 852	3 062
Land Sales	6 489	316	6 173
Housing Instalments	999 171	49 536	949 635
Housing rentals	166 631	114 213	52 418
Other	11 763 427	973 189	10 790 237
Total	71 383 083	9 156 322	62 226 762

As at 30 June 2015

Service debtors	77 294 909	25 810 683	51 484 225
Electricity	33 725 389	2 785 326	30 940 063
Water	19 916 664	8 007 147	11 909 517
Refuse	6 748 271	3 259 596	3 488 674
Sewerage	16 904 585	11 758 614	5 145 971
Debtback Collections	4 146 987	4 144 629	2 359
Land Sales	7 057	6 009	1 048
Housing Instalments	1 031 162	460 673	570 489
Housing rentals	329 667	117 752	211 915
Other	9 920 703	1 541 150	8 379 554
Total	92 730 485	32 080 896	60 649 589

Electricity, Water, Refuse and Sewerage): Ageing

	2016 R	2015 R
Current (0 -30 days)	48 275 333	48 110 807
31 - 60 Days	909 573	2 376 741
61 - 90 Days	703 799	2 028 834
91 - 120 Days	543 920	1 691 648
121- 365 Days	838 119	3 158 738
> 365 Days	5 847 707	19 928 140
Total	57 118 451	77 294 909

Service debtors receivables that are past due as at the end of 2015/16 but not impaired, for less than 30 days is R46 997 344 (2014/15 = R46 697 413) and for more than 30 days is R3 427 892 (2014/15 = R4 786 812).

Debtback Collections

	2016 R	2015 R
Current (0 -30 days)	2 997	1
31 - 60 Days	-	240
61 - 90 Days	65	2 118
91 - 120 Days	95	1 049
121- 365 Days	278 590	752 688
> 365 Days	1 047 167	3 390 891
Total	1 328 914	4 146 987

Debtback collection receivables that are past due as at the end of 2015/16 but not impaired, for less than 30 days is R2 997 (2014/15 = 65cents) and for more than 30 days is R65 (2014/15 = R2 358).

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	2016 R	2015 R
Housing Instalments		
Current (0 -30 days)	30 715	14 065
31 - 60 Days	13 199	5 288
61 - 90 Days	12 890	18 427
91 - 120 Days	12 745	4 849
121- 365 Days	116 156	8 891
> 365 Days	813 466	979 643
Total	999 171	1 031 162

Housing instalments receivables that are past due as at the end of 2015/16 but not impaired, for less than 30 days is R30 715 (2014/15 = R14 065) and for more than 30 days is R918 920 (2014/15 = R556 424).

	2016 R	2015 R
Housing rentals: Ageing		
Current (0 -30 days)	8 453	6 160
31 - 60 Days	3 206	2 038
61 - 90 Days	2 913	1 900
91 - 120 Days	2 698	1 879
121- 365 Days	3 438	3 557
> 365 Days	145 923	314 133
Total	166 631	329 667

Housing rentals receivables that are past due as at the end of 2015/16 but not impaired, for less than 30 days is R3 425 (2014/15 = R5 444) and for more than 30 days is R48 993 (2014/15 = R206 471).

	2016 R	2015 R
Other		
Current (0 -30 days)	10 379 284	8 207 413
31 - 60 Days	278 686	108 994
61 - 90 Days	118 824	56 255
91 - 120 Days	76 801	83 394
121- 365 Days	58 842	173 005
> 365 Days	850 989	1 291 643
Total	11 763 427	9 920 703

Other receivables that are past due as at the end of 2015/16 but not impaired, for less than 30 days is R10 379 284 (2014/15 = R8 207 413) and for more than 30 days is R410 953 (2014/15 = R172 143).

	2016 R	2015 R
Land Sales		
Current (0 -30 days)	724	560
31 - 60 Days	196	155
61 - 90 Days	84	38
91 - 120 Days	84	38
121- 365 Days	67	76
> 365 Days	5 334	6 189
Total	6 489	7 057

Land sales receivables that are past due as at the end of 2015/16 but not impaired, for less than 30 days is R724 (2014/15 = R560) and for more than 30 days is R5 448 (2014/15 = R488).

	2016 R	2015 R
Reconciliation of Provision for debt impairment of receivables		
Balance at beginning of year	32 080 896	25 457 843
Contribution to / (Reversal from) provision	7 967 268	16 692 271
Bad Debts written off / recovered	(30 891 842)	(10 069 217)
Balance at end of year	9 156 322	32 080 896

Summary of Receivables by Consumer Classification

	2016 R	2015 R
Residential	45 001 143	52 286 515
Industrial / Commercial	14 901 064	30 535 198
National / Provincial government	1 740 212	1 446 590
Payments received in Advance	9 740 663	8 462 182
	71 383 083	92 730 485

Refer to Note 41.7 for details regarding the restatement of previous year balances.

23. OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	2016 R	2015 R
Other Receivables from Non-Exchange transactions:	61 741 189	47 172 502
Rates	10 100 316	11 888 833
Traffic Fines	45 885 979	30 161 378
Payments made in advance	2 491 477	2 337 719
Government subsidies	128 834	128 834
Other	3 134 582	2 655 736
Recoverable Expenditure	-	-
Less: Provision for debt impairment of other receivables	46 388 284	35 647 251
Rates	4 383 382	6 427 318
Traffic Fines	42 004 903	29 219 933
Total	15 352 905	11 525 251

Fine revenue of all fines issued by the municipality itself during the current year amounted to R45885979.1. The outstanding fines was assessed for impairment based on the present value of future cash flows of fines issued. R42004902.56 was provided as bad debt.

Sundry debtors are grouped together in financial assets with similar credit risk characteristics and collectively assessed for debt impairment. However the "Other Debtors" are individually assessed.

No provision for debt impairment is made for debtors other than Rates Debtors and Traffic Fines.

Rates: Ageing	2016 R	2015 R
Current (0 -30 days)	5 264 326	4 735 078
31 - 60 Days	224 015	305 398
61 - 90 Days	187 976	250 339
91 - 120 Days	163 491	222 293
121- 365 Days	277 762	408 115
> 365 Days	3 982 746	5 967 610
Total	10 100 316	11 888 833

Rates receivables that are past due as at the end of 2015/16 but not impaired, for less than 30 days is R5 264 326 (2014/15 = R4 697 671) and for more than 30 days is R452 609 (2014/15 = R763 844).

Reconciliation of Provision for debt impairment of other receivables	2016 R	2015 R
Balance at beginning of year	35 647 251	19 018 895
Contribution to / (Reversal from) provision	14 714 625	16 768 705
Bad Debts written off / recovered	(3 973 591)	(140 348)
Balance at end of year	46 388 284	35 647 251
Summary of Rates by Consumer Classification	2016 R	2015 R
Residential	7 108 378	7 172 315
Industrial / Commercial	2 315 417	4 097 660
National / Provincial government	350 357	307 977
Payments received in Advance	326 164	310 881
	10 100 316	11 888 833

Refer to Note 41.7 & 41.8 & 41.9 for details regarding the restatement of previous year balances.

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24. INVESTMENTS

	2016 R	2015 R
Long-term Deposits : Other bodies	4 433 619	4 683 469
Less: Payment to other bodies	(4 433 619)	(4 683 469)
Long-term Investments	12 646 586	-
	<u>12 646 586</u>	<u>-</u>

No investments were written off during the year.

The average rate of return on Long-term Investments were 10.65% for the year ended 30 June 2016.

Investments are made in accordance with the municipality's Cash Management and Investment policy as follows:

- That the broad investment policy framework be applicable
- Investments not be placed with foreign banks
- Council's total investment portfolio be invested with banks rated as follows:
 - short-term investments (0 - 12 months) only institutions with a National credit rating of F1 and higher be used
 - long-term investments (more than 12 months) only institutions with a National credit rating of AA or higher be used
- Not more than 50% of the total investments invested with one institution

Long-term Deposits: Other bodies (Group Schemes)

These deposits are Group Scheme funds of employees that is paid over to the Municipality, who then invests these funds in the name of the employee in Money market funds. It therefor has no impact on the Municipality's Statement of Financial Position.

25. CASH AND CASH EQUIVALENTS

	2016 R	2015 R
Assets		
Petty Cash	18 460	18 960
Cash book balance	8 985 565	29 135 673
Short-term Investment deposits	330 306 013	290 097 408
Total cash and cash equivalents - Assets	<u>339 310 039</u>	<u>319 252 041</u>
Liabilities		
Bank overdraft (as per Cash book balance)	-	-
Total cash and cash equivalents - Liabilities	<u>-</u>	<u>-</u>

The municipality has the following bank accounts:

<u>BANK ACCOUNT</u>	<u>Account Numbers</u>		
Primary Bank Account - STANDARD BANK CHECQUE ACCOUNT	82846979	4 389 210	26 816 158
Secondary Bank Account - STANDARD BANK DEPOSIT ACCOUNT	82846936	-	-
Traffic Bank Account - STANDARD BANK	300965338	290	(211)
		<u>4 389 500</u>	<u>26 815 947</u>

	2016 R	2015 R
Bank statement balance at beginning of year	26 815 947	10 436 125
Bank statement balance at end of year	<u>4 389 500</u>	<u>26 815 947</u>
Cash book balance at beginning of year	29 135 673	13 163 073
Cash book balance at end of year	<u>8 985 565</u>	<u>29 135 673</u>
Petty Cash / Float at beginning of year	18 960	18 960
Petty Cash / Float at end of year	<u>18 460</u>	<u>18 960</u>
INVESTMENTS: Current portion matures within next 12 months - Refer Note 24	<u>330 306 013</u>	<u>290 097 408</u>

All accounts are with STANDARD BANK. The balance of account no. 82846936 - deposit account and account no. 300965338 - Account for Traffic fines, is swept to the cheque account daily - Primary bank account no. 82846979

The average rate of return on Short-term Investments were 7.06% for the year ended 30 June 2016.

No cash and cash equivalents were pledged as security for liabilities.

No restrictions were placed on the use of cash and cash equivalents.

26. OPERATING LEASES

26.1 The Municipality as lessee

Operating leases relate to Buildings with lease terms of between one to ten years, with an option to extend for a further period. The municipality does not have an option to purchase the leased asset at the expiry of the lease period.

In respect of Non-cancellable Operating Leases the following liabilities have been recognised in the Statement of Financial Position:

	2016 R	2015 R
Balance at beginning of year	1 053 023	839 627
Movement for the year	292 464	213 396
Total Operating Lease Liabilities - as lessee	1 345 487	1 053 023

The following payments have been recognised as an expenditure in the Statement of Financial Performance:

	2016 R	2015 R
Lease payments	2 207 654	2 178 425
Total Operating Lease payments - as lessee	2 207 654	2 178 425

At the reporting date the municipality had outstanding commitments under non-cancellable operating leases for buildings, which fall due as follows:

	2016 R	2015 R
Buildings		
Up to 1 year	1 482 740	1 793 439
1 to 5 years	6 210 540	6 002 612
More than 5 years	1 642 641	3 333 309
Total Operating Lease arrangements - as lessee	9 335 921	11 129 360

26.2 The Municipality as lessor

Operating leases relate to Investment Property owned by the Municipality with lease terms of between one to thirty years. The lessee does not have an option to purchase the property at the expiry of the lease period.

In respect of Non-cancellable Operating Leases the following assets have been recognised in the Statement of Financial Position:

	2016 R	2015 R
Balance at beginning of year	225 977	196 625
Movement for the year	(43 870)	29 352
Total Operating Lease Assets - as lessor	182 106	225 977

The following receipts have been recognised as an income in the Statement of Financial Performance:

	2016 R	2015 R
Lease income	1 509 918	1 311 602
Total Operating Lease income - as lessor	1 509 918	1 311 602

At the reporting date the municipality had lease receipts receivable under non-cancellable operating leases for Investment Property, which fall due as follows:

	2016 R	2015 R
Investment Property		
Up to 1 year	509 913	1 306 869
1 to 5 years	1 213 420	1 288 323
More than 5 years	825 504	538 782
Total Operating Lease arrangements - as lessor	2 548 837	3 133 974

Operating leases are recognised on the straight-line basis as per the requirement of GRAP 13.

Refer to Note 41.11 for details regarding the restatement of previous year balances.

27. PROPERTY RATES

<u>Actual</u>	2016 R	2015 R
Residential	75 689 031	70 885 556
Commercial	18 932 689	17 247 253
Vleesbaai	451 882	435 469
Accommodation Establishments	1 569 472	1 455 673
State	426 172	372 719
Building Clause	14 042	13 528
Assessment Rate: Letting	1 298	1 340
Assessment Rate: State Building Kwa Nonqaba	14 684	12 821
Agricultural	1 043 139	990 203
Agricultural Business	620 989	575 495
Special Rated Area - CID	523 167	495 724
Less: Income forgone	(4 411 791)	(4 122 301)
Total assessment rates	94 874 776	88 363 481

<u>Valuations</u>	July 2016	July 2015
Residential	26 666 564 470	26 396 419 170
Commercial	3 295 100 300	3 243 462 100
State	580 574 400	563 539 800
Municipal	641 939 600	632 041 000
Parsonage	81 739 700	85 660 100
Building Clause	4 819 940	4 926 940
Accommodation Establishments	434 589 900	474 977 500
Agricultural Business	156 787 000	155 057 000
Vleesbaai	526 812 600	524 041 000
Public Services Infrastructure - Private	5 962 400	5 618 600
Public Open Space - Private	7 114 100	6 763 600
Protected Area	4 220 000	4 220 000
Assessment Rate: State Building Kwa Nonqaba	22 053 100	19 807 400
Churches	162 896 900	164 267 900
Agricultural	1 463 664 500	1 467 881 000
Total property valuations	34 054 838 910	33 748 683 110

The valuation of land takes place every four years in terms of the determinations of the Municipal Property Rates Act, No.6 of 2004. The basic rate for land and buildings ranged between R0,000715 and R0,005721 respectively. Qualifying pensioners received an additional rebate of either 50% or 30% on property tax. With regard to needy families, where the joint income of husband and wife amounted to less than R5 000 a rebate was allowed with regard to water, refuse and sewerage. Regarding the housing schemes, it is noted that income for rates was not based on valuation as the values are less than R50 000. The first R50 000 of residential properties are not levied, R15 000 are impermissible rates and a rebate are given on R35 000.

28. SERVICE CHARGES

	2016 R	2015 R
Sale of electricity	337 893 692	301 652 313
Sale of water	91 422 979	88 406 327
Refuse removal	35 738 809	36 071 877
Sewerage & sanitation charges	49 686 152	47 983 462
Total service charges	514 741 631	474 113 979

The service charges revenue are in respect of services rendered to consumers and billed in terms of Council's approved tariffs. These service charges revenue are the net amounts after taking into account revenue foregone.

29. GOVERNMENT GRANTS AND SUBSIDIES

	2016	2015
	R	R
Unconditional grants	63 673 000	54 705 000
Equitable share	63 673 000	54 705 000
Conditional grants	76 278 218	71 759 647
National Government Grants	43 302 287	36 675 310
Provincial Government Grants	30 739 174	32 027 295
District Municipality	1 371 516	2 194 640
Main Road Subsidy - Provincial	34 519	-
Other Grants	830 723	862 402
Total Government Grants & Subsidies	139 951 218	126 464 647

29.1 Summary of Government Grants & Subsidies	2016	2015
	R	R
Capital Government Grants & Subsidies	61 166 931	45 645 883
Operating Government Grants & Subsidies	78 784 287	80 818 763
Total	139 951 218	126 464 647

29.2 Equitable Share	2016	2015
	R	R
Balance unspent at beginning of year	-	-
Current year receipts	63 673 000	54 705 000
Adjustments	-	-
Conditions met - transferred to revenue	(63 673 000)	(54 705 000)
Conditions still to be met - transferred to liabilities (see note 13)	-	-

29.3 National Government Grants	2016	2015
	R	R
Balance unspent at beginning of year	6 719 679	30 989
Current year receipts	34 285 999	43 364 000
Adjustments	-	-
Conditions met - transferred to revenue	(43 302 287)	(36 675 310)
Conditions still to be met - transferred to liabilities (see note 13)	(2 296 609)	6 719 679

Mossel Bay Municipality received various grants from National Government for operational and capital projects, such as the Municipal Infrastructure Grant. National Grants also include Finance Management Grant, EPWP, Disaster Recovery, EEDSM and MSIG funding. Other than the amounts unspent, the conditions of the grants have been met. MIG funds was delayed during the year, but received the next quarter. An amount of R2 340 000 has been shifted from the 16/17 financial year to the 2015/16 financial year.

29.4 Provincial Government Grants	2016	2015
	R	R
Balance unspent at beginning of year	27 092 658	10 638 128
Current year receipts	23 728 241	48 481 825
Adjustments	-	-
Conditions met - transferred to revenue	(30 739 174)	(32 027 295)
Conditions still to be met - transferred to liabilities (see note 13)	20 081 725	27 092 658

Mossel Bay Municipality received various grants from Provincial Government for operational and capital projects, such as Human Settlements grant, Library services, Thusong Centre Grant, Greenest Town and the CDW grant. Other than the amounts unspent, the conditions of the grants have been met. No funds were delayed during the financial year.

29.5 District Municipality	2016	2015
	R	R
Balance unspent at beginning of year	(1 155 677)	(1 155 677)
Current year receipts	1 545 922	2 065 806
Adjustments	-	128 834
Conditions met - transferred to revenue	(1 371 516)	(2 194 640)
Conditions still to be met - transferred to liabilities (see note 13)	18 729	(1 155 677)

Mossel Bay Municipality received grants from Eden District Municipality for operational and capital disaster recovery projects. Other than the amounts unspent, the conditions of the grants have been met. The amount disclosed under "Adjustments" in the 2014/15 year is for a debtor created at year-end for outstanding funds.

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	2016 R	2015 R
29.6 Main Roads Subsidy		
Balance unspent at beginning of year	-	-
Current year receipts	34 519	-
Conditions met - transferred to revenue	(34 519)	-
Conditions still to be met - transferred to liabilities (see note 13)	-	-
	2016	2015
	R	R
29.7 Other Grants		
Balance unspent at beginning of year	-	-
Current year receipts	-	-
Adjustments	830 723	862 402
Conditions met - transferred to revenue	(830 723)	(862 402)
Conditions still to be met - transferred to liabilities (see note 13)	-	-

The Municipality received funds for training from LGSETA. Other than the amounts unspent, the conditions of the grants have been met. The amount disclosed under "Adjustments" above is for an increase in the debtor created for outstanding funds. This debtor amounts to R1 520 646 as at 30 June 2016 for LGSETA.

	2016 R	2015 R
29.8 Government Grants and Subsidies - SPENT PER VOTE		
Municipal Manager	-	-
Corporate Services	1 072 723	1 010 989
Financial Services	4 060 040	5 941 073
Technical Services	40 302 459	21 439 161
Community Services	6 474 640	4 269 172
Development & Planning	24 368 357	39 099 251
Total Spent	76 278 218	71 759 647

Refer to Note 41.10 for details regarding the restatement of previous year balances.

	2016 R	2015 R
30. OTHER INCOME		
Building Plan Fees	5 155 202	3 868 551
Availability Fees (Services)	17 283 852	16 755 103
Land Usage Fees	840 827	887 981
Contributions from External Services	5 361 570	5 518 310
Contributions from Land Sales	1 638	1 638
Insurance Claims	839 279	648 700
Extension Costs - Waterworks	204 210	204 257
Reversal of Asset Impairment	1 811 569	276 969
Sale of Redundant Inventory	369 045	157 754
Tampering with Installations	170 177	386 618
Harvesting of Plantation	-	1 704 149
Unclaimed Retention Money	78 366	1 281 542
Unclaimed Deposits	5 864 934	-
Cemetery Fee - Burials	308 844	287 466
Pound Fees	149 910	98 070
Collection costs recovered	2 736 065	4 084 717
Other	4 552 263	1 961 879
Total other income	45 727 754	38 123 706

Refer to Note 41.1 & 41.2 & 41.3 & 41.8 for details regarding the restatement of previous year balances.

31. PUBLIC CONTRIBUTIONS, DONATED AND CONTRIBUTED PPE	2016	2015
	R	R
Developers Contributions	-	-
Public Contributions	1 056 911	601 530
Donated and Contributed PPE	6 916 943	1 630 129
Connection Fees	2 933 086	1 977 769
Other	-	-
Total public contributions	10 906 940	4 209 428
31.1 Summary of Public contributions	2016	2015
	R	R
Capital Public contributions, Donated and contributed PPE	7 180 920	1 643 219
Operating Public contributions	3 726 020	2 566 209
Total	10 906 940	4 209 428
31.2 Developers Contributions	2016	2015
	R	R
Balance unspent at beginning of year	-	-
Current year receipts	-	-
Adjustments	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities (see note 13)	-	-
31.3 Public Contributions	2016	2015
	R	R
Balance unspent at beginning of year	101 875	204 318
Current year receipts	1 384 549	499 088
Adjustments	8 035	-
Conditions met - transferred to revenue	(1 056 911)	(601 530)
Conditions still to be met - transferred to liabilities (see note 13)	437 549	101 875
Mossel Bay Municipality received various public contributions for operational projects, such as the Diaz Festival, Sport Festival and the Mayor's Relief Charitable Fund. The municipality also received funds for two capital projects, namely the construction of white side screens at the Van Riebeeck stadion and the building of parking area at the Mossel Bay Golf club.		
31.4 Donated and Contributed Property, Plant and Equipment	2016	2015
	R	R
Balance unspent at beginning of year	-	-
Current year receipts	6 916 943	1 630 129
Adjustments	-	-
Conditions met - transferred to revenue	(6 916 943)	(1 630 129)
Conditions still to be met - transferred to liabilities (see note 13)	-	-
Mossel Bay Municipality received donated ICT computer equipment and infrastructure assets, such as the Siyanithanda building which was donated by PetroSA to the Municipality as well as donated Geyser control system assets received from Escom.		
31.5 Public contributions, Donated and Contributed PPE - PER VOTE	2016	2015
	R	R
Municipal Manager	294 451	168 792
Corporate Services	6 018 635	234 648
Financial Services	-	-
Technical Services	841 225	185 000
Community Services	644 544	1 630 129
Development & Planning	175 000	13 090
Total Spent	7 973 854	2 231 659

Refer to Note 41.3 for details regarding the restatement of previous year balances.

32. EMPLOYEE RELATED COSTS

	2016	2015
	R	R
Employee-related costs - Salaries, Wages & Bonuses	146 854 480	132 826 433
Employee-related costs - Contributions for UIF, pensions & medical aids	35 341 743	31 753 464
Contributions to Post Retirement Benefits Provision	10 987 000	10 326 000
Contributions to Long Service Bonus Provision	2 425 000	2 182 000
Contributions to Leave Gratuity Provision	1 914 540	1 968 921
Travel, motor car, accommodation, subsistence & other allowances	13 316 269	12 074 333
Housing benefits & allowances	1 604 220	832 521
Overtime payments	9 473 835	9 594 910
Executive packages	7 761 286	7 972 132
Less: Employee costs capitalised	(929 275)	(472 050)
Total employee-related costs	228 749 097	209 058 666

REMUNERATION OF KEY MANAGEMENT PERSONNEL:

	2016	2015
	R	R
Remuneration of the Municipal Manager		
Annual remuneration	1 125 445	1 254 765
Performance bonuses	-	134 487
Car allowance	110 000	132 000
Contributions to UIF, Medical & Pension Funds	204 067	227 642
Group Insurance	-	-
Industrial Council	73	81
Severance package	611 978	-
Total	2 051 563	1 748 976

Remuneration of the Chief Financial Officer

	2016	2015
	R	R
Annual remuneration	906 568	822 443
Performance bonuses	97 763	69 582
Car allowance	102 000	79 500
Contributions to UIF, Medical & Pension Funds	164 968	149 843
Group Insurance	-	2 700
Industrial Council	87	81
Total	1 271 385	1 124 149

**Remuneration of individual executive
30 June 2016**

	Technical + Electricity Services	Dev planning & Housing	Corporate Services	Community Services
	R	R	R	R
Annual remuneration	1 102 297	896 656	887 096	234 358
Performance bonuses	118 027	101 739	97 763	-
Acting allowance	-	-	15 252	-
Car allowance	102 000	108 000	120 000	30 984
Contributions to UIF, Medical & Pension Funds	206 028	216 110	161 111	44 070
Group Insurance	6 480	-	5 328	-
Industrial Council	87	87	87	29
Total	1 534 919	1 322 593	1 286 637	309 441

**Remuneration of individual executive
30 June 2015**

	Technical + Electricity Services	Dev planning & Housing	Corporate Services	Community Services
	R	R	R	R
Annual remuneration	1 023 998	848 220	816 016	856 508
Performance bonuses	110 306	97 496	91 008	97 710
Acting allowance	12 824	-	-	-
Car allowance	102 000	108 000	120 000	108 000
Contributions to UIF, Medical & Pension Funds	191 639	205 349	151 103	153 042
Group Insurance	6 480	-	5 328	6 480
Industrial Council	81	81	81	81
Total	1 447 327	1 259 146	1 183 536	1 221 822

33. REMUNERATION OF COUNCILLORS

	2016 R	2015 R
Executive Mayor	704 375	669 075
Executive Deputy Mayor	567 955	539 434
Speaker	627 278	595 664
Mayoral Committee members	2 738 694	2 599 694
Councillors	4 595 426	4 338 201
Councillors' pension contributions	414 415	390 044
Councillors' medical contributions	64 981	61 855
Travel Cost in Excess of 500km	-	-
Total Councillors' remuneration	9 713 125	9 193 967

In kind benefits

The Executive Mayor, Executive Deputy Mayor, Speaker and Mayoral Committee members are employed on a full-time basis. Each is provided with an office and administrative secretarial support at Councils cost. The Executive and Deputy Mayor have access to Council-owned vehicles for ceremonial and official functions. Full-time Councillors are equipped with computers. Ward Committee members are equipped with cell phones for communication purposes.

Certification by Municipal Manager

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



Acting Municipal Manager

34. DEBT IMPAIRMENT COSTS

	2016 R	2015 R
Contribution to Provision for Debt Impairment:	28 025 300	34 586 668
- Rates	-	274 147
- Electricity	-	177 136
- Water	2 942 589	4 442 621
- Refuse	1 885 354	2 077 042
- Sewerage	5 529 915	6 434 889
- Traffic fines	16 586 370	18 065 335
- Collection fees	663 445	1 899 452
- Housing Installments	-	247 691
- Housing rentals	197 318	-
- Land sales	-	260
- Sundry Debtors	220 310	606 512
- Long-term receivables	-	361 582
- Other receivables	-	-
Bad Debts : Services	-	-
Total debt impairment costs	28 025 300	34 586 668

Refer to Note 41.9 for details regarding the restatement of previous year balances.

35. DEPRECIATION AND AMORTISATION EXPENSE

	2016 R	2015 R
<u>Depreciation:</u>		
Property, Plant and Equipment	64 578 695	58 328 034
Investment Property	936 212	936 029
<u>Amortisation:</u>		
Intangible Assets	71 576	57 061
Total Depreciation and Amortisation costs	65 586 483	59 321 124

Refer to Note 41.1 & 41.3 & 41.4 for details regarding the restatement of previous year balances.

Refer to Notes 42.1 for detail regarding change in accounting policy.

36. FINANCE COSTS

	2016	2015
	R	R
Finance Leases	195 297	345 335
Other Long-term Liabilities	2 394 189	2 393 927
Landfill Sites	3 544 195	3 042 275
Current Deposit / Grants	103 015	36 953
Total interest	6 236 695	5 818 490

Refer to Note 41.1 for details regarding the restatement of previous year balances.

37. BULK PURCHASES

	2016	2015
	R	R
Electricity	244 325 988	208 463 286
Water	9 341 493	8 975 355
Total bulk purchases	253 667 481	217 438 641

Bulk purchases are the cost of commodities not generated by the municipality, but which the municipality distributes to consumers. The municipality purchases electricity in bulk from Eskom and then redistributes it to consumers. The municipality has some of its own water sources, but also purchases water in bulk from the Department of Water Affairs and Forestry.

38. CONTRACTED SERVICES

	2016	2015
	R	R
Account Print	267 273	354 775
AMR System	549 035	343 855
Cash Transit	240 508	232 922
CID	487 906	436 066
Cleansing Services	6 124 212	5 384 611
Cut of Grass	4 648 707	4 037 711
Gardening Services	71 200	52 476
Info System Maintenance	475 947	538 491
Internal Auditors	1 917 445	1 341 470
Life Saving	1 481 285	1 181 760
Meter Readings	1 279 759	1 199 604
Prepaid System	7 631 269	7 365 201
Refuse Recycling	357 552	207 294
Refuse Removal	4 721 603	4 443 325
Reverse Osmosis Plant	526 183	692 189
Sanitation Services	2 193 715	2 266 944
Security Services	3 289 981	3 419 683
Transport Co.	335 990	341 658
Additional Valuations	231 800	163 792
Washing Linen	21 465	59 460
Concessionary Fees- Indigent	272 581	248 617
Desalination plant	1 320 229	4 438 798
Total Contracted services	38 445 644	38 750 701

39. GRANTS AND SUBSIDIES PAID

	2016	2015
	R	R
Subsidy: Benefit Discount Scheme	247 087	252 819
SPCA	721 287	674 100
Grants & Donations - Municipal	40 977	-
Other Donations	155 000	201 973
Total grants & subsidies	1 164 351	1 128 893

Other Donations:

During 2015/16 Other Donations were made to the amount of R155 000, whereas an amount of R201 973.48 was donated during 2014/15. Of the R155 000 Other Donations, R30 000 was donated to the Piet Julies Action Group, R35 000 to Heart to Heart care centre, R20 000 to Genesis community projects, R10 000 to iThembalethu Aged Group, R10 000 to ACVV Kenani, R30 000 to Peace Care Centre and R20 000 to New Life Theatre.

Grants & Donations - Municipal:

Mossel Bay Municipality has agreed to provide assistance to Oudtshoorn Municipality during the 2015/16 financial year of which the donated amount is given in note above.

40. GENERAL EXPENSES

	2016	2015
	R	R
Audit Fees - External Auditors	3 172 092	3 788 053
Bank Charges	1 866 120	2 273 660
Conferences & Seminars	35 408	35 373
Consultant Fees	4 730 770	1 868 797
Contract Work	8 200 367	5 570 338
Contributions to Alien Vegetation Provision	7 185 028	122 871
Desalination Plant	727 019	55 652
Energy Efficiency Projects	458 800	2 736 753
Entertainment - Public	13 219	32 722
Fuel & Oil	6 314 167	6 603 960
Hire Charges	261 835	198 617
Housing: Top Structures	13 790 678	28 967 810
Industrial & Tourism - Sect. 21 Co	2 140 775	2 090 153
Insurance	1 889 971	1 593 081
Inventory Items	116 975	183 034
Lease Charges	2 476 267	2 489 849
Legal Costs	1 908 036	808 857
Levy - Bargaining Council	75 320	68 722
Levy - Skills Development (SETA)	1 874 575	1 733 653
Levy - Water : DWAF	355 643	294 664
Levy-Water Catchmt Man:DWAF	624 199	686 020
Licence Fees	368 605	387 553
Materials and Stores	11 383 546	10 493 971
Processing of Green waste	1 403 084	463 500
Public Functions	470 673	466 314
Refuse Tip Site - External	2 726 931	2 649 154
Relief / Charitable Expenses	197 103	168 792
Telephones and Communications	1 530 841	1 292 297
Travelling & Subsistence	523 287	571 877
Water Rural Areas	144 097	59 179
Advertising	1 100 519	1 211 933
Postage, Rev Stamps & PO Box	963 519	1 554 088
Bush & Weed Clearing	909 754	674 799
Pest Control	129 196	233 996
Printing & Stationary	1 244 514	1 222 645
Refuse Bags	1 696 251	1 411 180
Subscriptions	2 504 804	2 226 178
Other	7 607 878	6 769 821
Less:	(1 610 288)	(2 401 286)
Vehicle and Equipment Recoveries	(48 197)	(29 331)
Recoverable Expenditure	(1 562 091)	(2 371 954)
	<u>91 511 576</u>	<u>91 658 629</u>

Mossel Bay Municipality has an agreement with PetroSA for the funding and construction of a jointly-owned 15 Mega litres per day Seawater Desalination facility. In accordance with this agreement, Mossel Bay Municipality will invoice PetroSA for its share of the reconciled, agreed amounts due and payable.

41. PRIOR YEAR ADJUSTMENTS

41.1 Non-current Provisions - "Rehabilitation of Landfill sites" (Refer Note 6) & Property, Plant & Equipment (Refer Note 15) & Other Income - "Reversal of Asset Impairment" (Refer Note 30) & Depreciation and Amortisation Expense - "Property, Plant and Equipment" (Refer Note 35) & Finance Costs - "Landfill Sites" (Refer Note 36)

As part of the investigation for the establishment of a regional landfill site, it was discovered that the initial provision for the restoration costs of the landfill sites in the case of Mossel Bay did not provide for all the landfill sites and did not include all the costs. This led to various adjustments that effected comparative figures.

Changes to Notes to Annual Financial Statements:

Non-current Provisions - "Rehabilitation of Landfill sites" (Note 6):

	2015 R
Balance at 30 June 2015 on 2014/15 Financial Statements	37 757 012
Reversal of restoration cost of landfill sites - Opening Balance	(35 619 822)
Reversal of restoration cost of landfill sites - 2014/15	(2 137 190)
Initial recognition of restoration cost of landfill sites - Opening Balance	64 616 257
Initial recognition of restoration cost of landfill sites - 2014/15	3 042 275
Restated balance as at 30 June 2015	<u>67 658 532</u>

Property, Plant & Equipment (Note 15):

	R
Balance at 30 June 2015 on 2014/15 Financial Statements	1749 307 916
<u>Adjustments to "Cost":</u>	
Reversal of restoration cost of landfill sites - Opening Balance	(35 619 822)
Reversal of restoration cost of landfill sites - 2014/15	(2 137 190)
Initial recognition of restoration cost of landfill sites - Opening Balance	13 626 808
Initial recognition of restoration cost of landfill sites - 2014/15	276 969
<u>Adjustments for Prior Year Adjustments (Refer Note 41.3):</u>	96 185 217
<u>Adjustments to "Under Construction":</u>	
Adjustments for Prior Year Adjustments (Refer Note 41.2):	(217 822)
Adjustments for Prior Year Adjustments (Refer Note 41.3):	(52 009 831)
<u>Adjustments to "Accumulated Depreciation":</u>	
Reversal of restoration cost of landfill sites - Opening Balance	12 569 078
Reversal of restoration cost of landfill sites - 2014/15	4 446 691
Initial recognition of restoration cost of landfill sites - Opening Balance	(12 584 709)
Initial recognition of restoration cost of landfill sites - 2014/15	(347 366)
<u>Adjustments for Prior Year Adjustments (Refer Note 41.3):</u>	(12 441 651)
Restated balance as at 30 June 2015	<u>1761 054 287</u>

Other Income - "Reversal of Asset Impairment" (Note 30):

	R
Balance at 30 June 2015 on 2014/15 Financial Statements	-
Initial recognition of restoration cost of landfill sites - 2014/15	276 969
Restated balance as at 30 June 2015	<u>276 969</u>

Depreciation and Amortisation Expense - "Property, Plant and Equipment" (Note 35):

	R
Balance at 30 June 2015 on 2014/15 Financial Statements	58 384 363
Reversal of restoration cost of landfill sites - 2014/15	(4 446 691)
Initial recognition of restoration cost of landfill sites - 2014/15	347 366
Adjustments for Prior Year Adjustments (Refer Note 41.3):	4 042 996
Restated balance as at 30 June 2015	<u>58 328 034</u>

Finance Costs - "Landfill Sites" (Note 36):

	R
Balance at 30 June 2015 on 2014/15 Financial Statements	-
Initial recognition of restoration cost of landfill sites - 2014/15	3 042 275
Restated balance as at 30 June 2015	<u>3 042 275</u>

All related statements and notes were adjusted accordingly.

41.2 Capital Replacement Reserve - "Land Sales contribution" (Refer Note 3) & Payables from exchange transactions (Refer Note 12) & VAT Receivable (Refer Note 14) & Property, Plant & Equipment (Refer Note 15) & Other Income - "Contributions from Land Sales" (Refer Note 30) & Other Income - "Contributions from External Services" (Refer Note 30) & Repairs and maintenance (Refer Financial Performance - Expenditure) & Loss on de-recognition of Assets (Refer Financial Performance - Expenditure) & Gain on de-recognition of Assets (Refer Financial Performance - Revenue)

The municipality received credit notes from CSM Consulting Services (Pty) Ltd relating to the Herbertsdale Civil project. Invoices relating to the Friemersheim WWTW project was also reversed as a result of the discovery that services were not delivered. There was a dispute with the service supplier that lead to a reversal of invoices. These lead to various adjustments that effected comparative figures.

Changes to Notes to Annual Financial Statements:

Capitol Replacemnt Reserve - "Lond Soles contribution" (Note 3):

Balance at 30 June 2015 on 2014/15 Financial Statements

Adjustments to Capitol Replacemnt Reserve - "Lond Soles contribution":

Payments received in advance for land sales - 2014/15

Adjustments to Capitol Replacemnt Reserve - "Funding Copitol Projects":

Reversal of Awetha and CSM Consulting invoices due to dispute - 2014/15

Restated balance as at 30 June 2015

2015

R

128 715 032

697 248

217 822

129 630 102

Payables from exchange transactions (Note 12):

Balance at 30 June 2015 on 2014/15 Financial Statements

Credit note relating to housing project of previous year - 2014/15

Reversal of creditor for services not delivered - 2014/15

Reversal of invoice due to dispute - 2014/15

Erven transported - 2014/15

Payments received in advance for land sales - 2014/15

Erven transported - 2014/15

Adjustments for Prior Year Adjustments (Refer Note 41.9):

Restated balance as at 30 June 2015

R

100 053 016

(8 928)

(111 790)

(182 330)

-

697 248

(836 697)

(76 615)

99 533 905

VAT Receivable (Note 14)

Balance at 30 June 2015 on 2014/15 Financial Statements

Credit note relating to housing project of previous year - 2014/15

Reversal of creditor for services not delivered - 2014/15

Adjustments for Prior Year Adjustments (Refer Note 41.7):

Restated balance as at 30 June 2015

5 183 947

(1 096)

(13 729)

4 888 297

10 057 420

Property, Plant & Equipment (Note 15):

Balance at 30 June 2015 on 2014/15 Financial Statements

Adjustments to "Cost":

Adjustments for Prior Year Adjustments (Refer Note 41.1):

Adjustments for Prior Year Adjustments (Refer Note 41.3):

Adjustments to "Under Construction":

Reversal of under construction assets because of reversal of invoices - 2014/15

Adjustments for Prior Year Adjustments (Refer Note 41.3):

Adjustments to "Accumuloted Depreciation":

Adjustments for Prior Year Adjustments (Refer Note 41.1):

Adjustments for Prior Year Adjustments (Refer Note 41.3):

Restated balance as at 30 June 2015

1749 307 916

(23 853 235)

96 185 217

(217 822)

(52 009 831)

4 083 694

(12 441 651)

1761 054 287

Other Income - "Contributions from Lond Soles" (Note 30)

Balance at 30 June 2015 on 2014/15 Financial Statements

Erven transported - 2014/15

Erven transported - 2014/15

Restated balance as at 30 June 2015

870 713

-

(869 075)

1 638

Other Income - "Contributions from External Services" (Note 30)

Balance at 30 June 2015 on 2014/15 Financial Statements

Payments received in advance for land sales - 2014/15

Restated balance as at 30 June 2015

6 215 558

(697 248)

5 518 310

Changes directly to statement of financial performance:

Repairs and maintenance (Finonciol Performance - Expenditure):

Balance at 30 June 2015 on 2014/15 Financial Statements

Reversal of under construction assets because of reversal of invoices - 2014/15

Restated balance as at 30 June 2015

38 956 153

(70 400)

38 885 753

Loss on de-recognition of Assets (Finonciol Performance - Expenditure)

Balance at 30 June 2015 on 2014/15 Financial Statements

Erven transported - 2014/15

Adjustments for Prior Year Adjustments (Refer Note 41.3):

Restated balance as at 30 June 2015

4 481 180

(353 739)

448 805

4 576 245

Gain on de-recognition of Assets (Finonciol Performance - Revenue)

Balance at 30 June 2015 on 2014/15 Financial Statements

Erven transported - 2014/15

Adjustments for Prior Year Adjustments (Refer Note 41.3):

Adjustments for Prior Year Adjustments (Refer Note 41.5):

Restated balance as at 30 June 2015

170 134

515 335

(164)

800 797

1 486 103

All related statements and notes were adjusted accordingly.

41.3 Property, Plant & Equipment (Refer Note 15) & Other Income - "Sale of Redundant Inventory" (Refer Note 30) & Public contributions, donated and contributed PPE (Refer Note 31) & Depreciation and Amortisation Expense - "Property, Plant and Equipment" (Refer Note 35) & Gain on de-recognition of Assets (Refer Financial Performance - Revenue) & Loss on de-recognition of Assets (Refer Financial Performance - Expenditure)

Various projects was undertaken during the financial year that lead to corrections of comparative figures. These projects include the asset count, review of useful lives, unbundling of assets and new assets found during the year. These lead to various adjustments that effected comparative figures.

Changes to Notes to Annual Financial Statements:

Property, Plant & Equipment (Note 15):

Balance at 30 June 2015 on 2014/15 Financial Statements

Adjustments to "Cost":

	2015 R
Balance at 30 June 2015 on 2014/15 Financial Statements	1749 307 916
New assets found during asset count - Opening Balance	2 191 511
New assets found during asset count - 2014/15	12 998
Changes due to proper unbundling process - Opening Balance	(1 597 544)
Previously disposed assets found during asset count - Opening Balance	270 795
Assets 35019 & 30939 added and disposed - Opening Balance	(4 655)
Cost of New Land found for the first time - Opening Balance	8 636 000
First time recognition of Streets donated by Provincial Administration - Opening Balance	32 413 905
Transfer of Cost under construction to finalised cost - Opening Balance	14 344 657
Transfer of Cost under construction to finalised cost - 2014/15	38 517 823
Additional cost and depreciation added due to proper unbundling exercise - Opening Balance	34 062
Additional cost and depreciation added due to proper unbundling exercise - 2014/15	205 564
Disposal of assets replaced as part of unbundling WIP - Opening Balance	(540 809)
Disposal of assets replaced as part of unbundling WIP - 2014/15	(669 285)
Reversal of accumulated depreciation and cost of capital assets incorrectly finalised, including transfer of cost to WIP - Opening	(1 334 534)
Partly disposal of assets replaced as part of the unbundling of WIP - Opening Balance	(125 319)
Partly disposal of assets replaced as part of the unbundling of WIP - 2014/15	(66 308)
Reversal of disposals processed - assets found during asset count - Opening Balance	14 494
Reversal of disposals processed - assets found during asset count - 2014/15	64 348
Recognition sub division of land - Opening Balance	3 817 514
Adjustments for Prior Year Adjustments (Refer Note 41.1):	(23 853 235)

Adjustments to "Under Construction":

Transfer of Cost under construction to finalised cost - Opening Balance	(14 586 916)
Transfer of Cost under construction to finalised cost - 2014/15	(38 517 823)
Additional cost and depreciation added due to proper unbundling exercise - Opening Balance	(34 062)
Additional cost and depreciation added due to proper unbundling exercise - 2014/15	(205 564)
Reversal of accumulated depreciation and cost of capital assets incorrectly finalised, including transfer of cost to WIP - Opening	1 334 534
Adjustments for Prior Year Adjustments (Refer Note 41.2):	(217 822)

Adjustments to "Accumulated Depreciation":

Review of usefull lives of assets with zero book value - 2014/15	(39 482)
Reversal of depreciation on assets due to review of usefull lives - 2014/15	154 754
Reversal of depreciation entries on assets due to review of usefull life - 2014/15	(17 534)
New assets found during asset count - Opening Balance	(978 467)
New assets found during asset count - 2014/15	(195 764)
Changes due to proper unbundling process - Opening Balance	643 881
Changes due to proper unbundling process - 2014/15	147 384
Previously disposed assets found during asset count - Opening Balance	(146 783)
Previously disposed assets found during asset count - 2014/15	(23 440)
Incorrect calculation for vehicle management systems - 2014/15	180
Incorrect calculation for vehicle management systems - 2014/15	(180)
Assets 35019 & 30939 added and disposed - Opening Balance	436
Depreciation on WIP unbundled - Opening Balance	(454 261)
Depreciation on WIP unbundled - 2014/15	(2 809 408)
First time recognition of Streets donated by Provincial Administration - Opening Balance	(8 156 827)
First time recognition of Streets donated by Provincial Administration - 2014/15	(1 331 110)
Additional cost and depreciation added due to proper unbundling exercise - Opening Balance	(666)
Additional cost and depreciation added due to proper unbundling exercise - 2014/15	(4 816)
Reversal of depreciation on assets replased as part of unbundling of assets - Opening Balance	23 555
Reversal of depreciation on assets replased as part of unbundling of assets - 2014/15	18 898
Disposal of assets replaced as part of unbundling WIP - Opening Balance	384 523
Disposal of assets replaced as part of unbundling WIP - 2014/15	257 910
Reversal of accumulated depreciation and cost of capital assets incorrectly finalised, including transfer of cost to WIP - Opening	63 445
Reversal of accumulated depreciation and cost of capital assets incorrectly finalised, including transfer of cost to WIP - 2014/15	62 418
Reversal of depreciation on partial assets replaced as part of the unbundling of assets - Opening Balance	180
Partly disposal of assets replaced as part of the unbundling of WIP - Opening Balance	961
Partly disposal of assets replaced as part of the unbundling of WIP - 2014/15	1 764
Reversal of disposals processed - assets found during asset count - Opening Balance	(9 752)
Reversal of disposals processed - assets found during asset count - 2014/15	(31 074)
Correction of depreciation charges in respect of reversal of disposals processed - Opening Balance	2 521
Correction of depreciation charges in respect of reversal of disposals processed - 2014/15	(4 897)
Adjustments for Prior Year Adjustments (Refer Note 41.1):	4 083 694
Restated balance as at 30 June 2015	1761 054 287

Other Income - "Sole of Redundant Inventory" (Note 30)

Balance at 30 June 2015 on 2014/15 Financial Statements	151 431
Reversal of disposals processed - assets found during asset count - 2014/15	6 323
Restated balance as at 30 June 2015	157 754

Public contributions, donated and contributed PPE (Note 31):

Balance at 30 June 2015 on 2014/15 Financial Statements	4 196 430
New assets found during asset count - 2014/15	12 998
Restated balance as at 30 June 2015	4 209 428

Depreciation and Amortisation Expense - "Property, Plant and Equipment" (Note 35):

Balance at 30 June 2015 on 2014/15 Financial Statements	R 58 384 363
Review of usefull lives of assets with zero book value - 2014/15	39 482
Reversal of depreciation on assets due to review of usefull lives - 2014/15	(154 754)
Reversal of depreciation entries on assets due to review of usefull life - 2014/15	17 534
New assets found during asset count - 2014/15	195 764
Changes due to proper unbundling process - 2014/15	(147 384)
Previously disposed assets found during asset count - 2014/15	23 440
Incorrect calculation for vehicle management systems - 2014/15	(180)
Incorrect calculation for vehicle management systems - 2014/15	180
Depreciation on WIP unbundled - 2014/15	2 809 408
First time recognition of Streets donated by Provincial Administration - 2014/15	1 331 110
Additional cost and depreciation added due to proper unbundling exercise - 2014/15	4 816
Reversal of depreciation on assets replaced as part of unbundling of assets - 2014/15	(18 898)
Reversal of accumulated depreciation and cost of capital assets incorrectly finalised, including transfer of cost to WIP - 2014/15	(62 418)
Correction of depreciation charges in respect of reversal of disposals processed - 2014/15	4 897
Adjustments for Prior Year Adjustments (Refer Note 41.1):	(4 099 325)
Restated balance as at 30 June 2015	58 328 034

Changes directly to statement of financial performance:

Gain on de-recognition of Assets (Finonciol Performance - Revenue):

Balance at 30 June 2015 on 2014/15 Financial Statements	170 134
Reversal of disposals processed - assets found during asset count - 2014/15	(164)
Adjustments for Prior Year Adjustments (Refer Note 41.2):	515 335
Adjustments for Prior Year Adjustments (Refer Note 41.5):	800 797
Restated balance as at 30 June 2015	1 486 103

Loss on de-recognition of Assets (Finonciol Performance - Expenditure):

Balance at 30 June 2015 on 2014/15 Financial Statements	4 481 180
Disposal of assets replaced as part of unbundling WIP - 2014/15	411 376
Partly disposal of assets replaced as part of the unbundling of WIP - 2014/15	64 544
Reversal of disposals processed - assets found during asset count - 2014/15	(27 114)
Adjustments for Prior Year Adjustments (Refer Note 41.2):	(353 739)
Restated balance as at 30 June 2015	4 576 245

All related statements and notes were adjusted accordingly.

41.4 Intangible Assets (Refer Note 17) & Depreciation and Amortisation Expense - "Amortisation" (Refer Note 35)

Various projects was undertaken during the financial year that lead to corrections of comparative figures. These projects include the asset count, review of useful lives, unbundling of assets and new assets found during the year. These lead to various adjustments that effected comparative figures.

Changes to Notes to Annual Financial Statements:

Intangible Assets (Note 17)

Balance at 30 June 2015 on 2014/15 Financial Statements	2015 R 61 504
Adjustments to "Cost":	
Transfer of Cost under construction to finalised cost - Opening Balance	242 259
Adjustments to "Accumuloted Depreciation":	
Review of usefull life of assets with zero book value - 2014/15	(4 675)
Reversal of depreciation entries on assets due to review of usefull life - 2014/15	17 534
Depreciation on WIP unbundled - Opening Balance	(5 106)
Depreciation on WIP unbundled - 2014/15	(44 399)
Restated balance as at 30 June 2015	267 117

Depreciation and Amortisation Expense - "Amortisation" (Note 35):

Balance at 30 June 2015 on 2014/15 Financial Statements	R 25 522
Review of usefull life of assets with zero book value - 2014/15	4 675
Reversal of depreciation entries on assets due to review of usefull life - 2014/15	(17 534)
Depreciation on WIP unbundled - 2014/15	44 399
Restated balance as at 30 June 2015	57 061

All related statements and notes were adjusted accordingly.

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41.5 Investment Property (Refer Note 18) & Gain on de-recognition of Assets (Refer Financial Performance - Revenue)

The first de-recognition of portions of site 9940, land owned by the municipality, was only detected on transport and subdivision of the land that were not included in the capital asset register. This lead to adjustments that effected comparative figures.

Changes to Notes to Annual Financial Statements:

Investment Properties (Note 18):

Balance at 30 June 2015 on 2014/15 Financial Statements

Adjustments to "Cost":

Cost of New Land found for the first time - Opening Balance

Recognition sub deviation of land - Opening Balance

Adjustments to "Accumulated Depreciation":

Erven transported - 2014/15

Adjustments for Change in Accounting Policy (Refer note 42.1)

Restated balance as at 30 June 2015

2015

R

330 888 400

1 479 500

(14 083 628)

(35 900)

287 339 177

605 587 548

Gain on de-recognition of Assets (Financial Performance - Revenue):

Balance at 30 June 2015 on 2014/15 Financial Statements

Erven transported - 2014/15

Adjustments for Prior Year Adjustments (Refer Note 41.2):

Adjustments for Prior Year Adjustments (Refer Note 41.3):

Restated balance as at 30 June 2015

170 134

800 797

515 335

(164)

1 486 103

All related statements and notes were adjusted accordingly.

41.6 Inventory - "Unsold property held for resale" (Refer Note 21)

The sub division of land earmarked for middle income housing was not accounted for in the prior years based on the decision to developed the properties. The 5G approvals were obtained and the surveyor general cost and as well the physical surveying cost were expensed in the prior years. This lead to adjustments that effected comparative figures.

Changes to Notes to Annual Financial Statements:

Inventory - "Unsold property held for resale" (Note 21):

Balance at 30 June 2015 on 2014/15 Financial Statements

Recognition sub deviation of land - Opening Balance

Restated balance as at 30 June 2015

2015

R

-

10 347 679

10 347 679

All related statements and notes were adjusted accordingly.

41.7 VAT Receivable (Refer Note 14) & Long-term receivables - "Less: Provision for Debt Impairment of long-term receivables" (Refer Note 20) & Receivables from exchange transactions - "Provision for Debt Impairment" (Refer Note 22) & Other Receivables from non-exchange transactions - "Less: Provision for Debt Impairment of other receivables - Rates" (Refer Note 23)

Provision for debt impairment on receivables did not include VAT. This lead to adjustments that effected comparative figures

Changes to Notes to Annual Financial Statements:

VAT Receivable (Note 14)

Balance at 30 June 2015 on 2014/15 Financial Statements

Correction of VAT on Impairment - 2014/15

Adjustments for Prior Year Adjustments (Refer Note 41.2):

Restated balance as at 30 June 2015

2015

5 183 947

4 888 297

(14 825)

10 057 420

Long-term receivables - "Less: Provision for Debt Impairment of long-term receivables" (Note 20):

Balance at 30 June 2015 on 2014/15 Financial Statements

Correction of VAT on Impairment - 2014/15

Restated balance as at 30 June 2015

R

1 137 276

159 217

1 296 493

Receivables from exchange transactions - "Provision for Debt Impairment" (Note 22):

Balance at 30 June 2015 on 2014/15 Financial Statements

Correction of VAT on Impairment - 2014/15

Restated balance as at 30 June 2015

R

28 141 135

3 939 761

32 080 896

Other Receivables from non-exchange transactions - "Less: Provision for Debt Impairment of other receivables - Rates" (Note 23):

Balance at 30 June 2015 on 2014/15 Financial Statements

Correction of VAT on Impairment - 2014/15

Restated balance as at 30 June 2015

R

5 637 999

789 320

6 427 318

All related statements and notes were adjusted accordingly.

41.8 Other Receivables from non-exchange transactions - "Other" (Refer Note 23) & Other Income - "Other" (Refer Note 30)

The municipality became aware of income received from the Cape Joint Pension Fund. This was a reimbursement of a overpayment made to the fund by the municipality relating to the conversion of members between sections. These corrections effected comparative figures.

Changes to Notes to Annual Financial Statements:

Other Receivables from non-exchange transactions - "Other" (Note 23):

	2015 R
Balance at 30 June 2015 on 2014/15 Financial Statements	1 905 910
Correction of income received from Cape Joint Pension Fund - Opening Balance	1 213 559
Correction of income received from Cape Joint Pension Fund - 2014/15	(463 732)
Restated balance as at 30 June 2015	<u>2 655 736</u>

Other Income - "Other" (Note 30)

	2015 R
Balance at 30 June 2015 on 2014/15 Financial Statements	2 425 612
Correction of income received from Cape Joint Pension Fund - 2014/15	(463 732)
Restated balance as at 30 June 2015	<u>1 961 879</u>

All related statements and notes were adjusted accordingly.

41.9 Payables from exchange transactions (Refer Note 12) & Other Receivables from non-exchange transactions - "Traffic Fines" (Refer Note 23) & Other Receivables from non-exchange transactions - "Less: Provision for debt impairment of other receivables - Traffic Fines" (Refer Note 23) & Debt Impairment Costs - "Traffic fines" (Refer Note 34) & Fines (Refer Financial Performance - Revenue)

The municipality recalculated its traffic fines and provision for debt impairment on traffic fines based on reports received the two service providers. This lead to adjustments that effected comparative figures.

Changes to Notes to Annual Financial Statements:

Payables from exchange transactions (Note 12):

	2015 R
Balance at 30 June 2015 on 2014/15 Financial Statements	100 053 016
Correction of accounting entries relating to camera issued fines (TMT) - Opening Balance	138 756
Correction of accounting entries relating to camera issued fines (TMT) - 2014/15	(60 586)
Correction of accounting entries relating to handwritten traffic fines (TC5) - Opening Balance	(111 400)
Correction of accounting entries relating to handwritten traffic fines (TC5) - 2014/15	(43 385)
Adjustments for Prior Year Adjustments (Refer Note 41.2):	(442 497)
Restated balance as at 30 June 2015	<u>99 533 905</u>

Other Receivables from non-exchange transactions - "Traffic Fines" (Note 23):

	R
Balance at 30 June 2015 on 2014/15 Financial Statements	30 549 877
Correction of accounting entries relating to camera issued fines (TMT) - Opening Balance	700 703
Correction of accounting entries relating to camera issued fines (TMT) - 2014/15	2 523 703
Correction of accounting entries relating to handwritten traffic fines (TC5) - Opening Balance	(2 412 390)
Correction of accounting entries relating to handwritten traffic fines (TC5) - 2014/15	(1 200 515)
Restated balance as at 30 June 2015	<u>30 161 378</u>

Other Receivables from non-exchange transactions - "Less: Provision for debt impairment of other receivables - Traffic Fines" (Note 23):

	R
Balance at 30 June 2015 on 2014/15 Financial Statements	29 722 492
Correction of accounting entries relating to debt impairment for traffic fines (TMT & TC5) - Opening Balance	(1 589 510)
Correction of accounting entries relating to debt impairment for traffic fines (TMT & TC5) - 2014/15	1 086 951
Restated balance as at 30 June 2015	<u>29 219 933</u>

Debt Impairment Costs - "Traffic fines" (Note 34):

	R
Balance at 30 June 2015 on 2014/15 Financial Statements	16 978 385
Correction of accounting entries relating to debt impairment for traffic fines (TMT & TC5) - 2014/15	1 086 951
Restated balance as at 30 June 2015	<u>18 065 335</u>

Changes to Notes to Annual Financial Statements:

Fines (Financial Performance - Revenue):

	2015 R
Balance at 30 June 2015 on 2014/15 Financial Statements	24 050 681
Correction of accounting entries relating to camera issued fines (TMT) - 2014/15	2 584 289
Correction of accounting entries relating to handwritten traffic fines (TC5) - 2014/15	(1 157 130)
Restated balance as at 30 June 2015	<u>25 477 840</u>

All related statements and notes were adjusted accordingly.

41.10 Unspent / (Unpaid) Conditional Grants and Receipts (Refer Note 13) & Government Grants and subsidies (Refer Note 29)

Funds spent on capital projects funded from the Electricity Efficiency Demand Side Management grant and Disaster recovery grants in the 2013/14 and 14/15 financial year was not recognised as income in those financial years. These corrections effected comparative figures.

Changes to Notes to Annual Financial Statements:

Unspent / (Unpaid) Conditional Grants and Receipts (Note 13):

	2015 R
Balance at 30 June 2015 on 2014/15 Financial Statements	33 929 193
Recognition of Grant income from Eden Disaster grant - Opening Balance	(155 677)
Recognition of EEDSM grant income - 2014/15	(14 982)
Restated balance as at 30 June 2015	<u>33 758 535</u>

Government Grants and subsidies (Note 29):

Balance at 30 June 2015 on 2014/15 Financial Statements	126 449 665
Recognition of EEDSM grant income - 2014/15	14 982
Restated balance as at 30 June 2015	<u>126 464 647</u>

All related statements and notes were adjusted accordingly.

41.11 Operating Leases (Refer Note 26) & Rental of facilities and equipment (Refer Financial Performance - Revenue)

A reconciliation between contracts currently active and the register used to perform the straightlining of operating leases brought to light that certain contracts was not included in the register. These corrections effected comparative figures.

Changes to Notes to Annual Financial Statements:

Operating Lease Assets (Note 26):

	2015 R
Balance at 30 June 2015 on 2014/15 Financial Statements	192 947
Correction of straightlining of operating lease contracts - Opening Balance	23 976
Correction of straightlining of operating lease contracts - 2014/15	9 054
Restated balance as at 30 June 2015	<u>225 977</u>

Rental of facilities and equipment (Financial Performance - Revenue):

Balance at 30 June 2015 on 2014/15 Financial Statements	13 952 132
Correction of straightlining of operating lease contracts - 2014/15	9 054
Restated balance as at 30 June 2015	<u>13 961 186</u>

All related statements and notes were adjusted accordingly.

41.12 Long-term Receivables - Public Assistance Loans" (Refer Note 20)

Six months' interest was incorrectly transferred from the Long-term receivables w.r.t. the public assistance loans when the GRAP standard on Financial instruments was implemented.

Changes to Notes to Annual Financial Statements:

Long-term Receivables - Public Assistance Loans" (Note 20):

	2015 R
Balance at 30 June 2015 on 2014/15 Financial Statements	86 906
Correction of interest on Long-term Receivables - Opening Balance	40 336
Restated balance as at 30 June 2015	<u>127 242</u>

All related statements and notes were adjusted accordingly.

41.13 SUMMARY OF CHANGES TO STATEMENT OF FINANCIAL POSITION:

During the year various previous year adjustments were made to the Statement of Financial Position. The following is a summary of all the movements in the previous year's balances:

Changes to Net assets and Liabilities:

Balance as at 30 June 2015 (as stated in the 2014/15 Annual Financial Statements):

Net assets:

Accumulated surplus / (deficit)

Capital replacement reserve (Refer to note 41.2)

Non-Current Liabilities:

Non-current provisions (Refer to note 41.1)

Current Liabilities:

Payables from exchange transactions (Refer to note 41.2 & 41.9)

Unspent Conditional Grants and Receipts (Refer to note 41.10)

Restated balance of Net assets and Liabilities as at 30 June 2015

Changes to Assets:

Balance as at 30 June 2015 (as stated in the 2014/15 Annual Financial Statements):

Non-current Assets:

Property, Plant & Equipment (Refer to note 41.1 & 41.2 & 41.3)

Intangible Assets (Refer to note 41.4)

Investment Property (Refer to note 41.5 & 42.1)

Long-term receivables (Refer to note 41.7 & 41.12)

Current Assets:

VAT Receivable (Refer to note 41.2 & 41.7)

Inventory (Refer to note 41.6)

Receivables from exchange transactions (Refer to note 41.7)

Other Receivables from non-exchange transactions (Refer to note 41.7 & 41.8 & 41.9)

Unpaid conditional grants and receipts (Refer to note 41.10)

Operating Lease Assets (Refer to note 41.11)

Restated balance of Assets as at 30 June 2015

2015

R

2506 543 036

268 709 489

267 794 419

915 070

29 901 520

29 901 520

(534 093)

(519 111)

(14 982)

2804 619 952

2506 543 036

286 532 252

11 746 371

205 613

274 699 148

(118 881)

11 544 664

4 873 472

10 347 679

(3 939 761)

74 567

155 677

33 030

2804 619 952

41.14 SUMMARY OF CHANGES TO STATEMENT OF FINANCIAL PERFORMANCE:

During the year various previous year adjustments were made to the Statement of Financial Performance. The following is a summary of all the movements in the previous year's balances:

Surplus for the year (as stated in 2014/15 Annual Financial Statements):

Revenue adjustments:

Government Grants and subsidies (Refer to note 41.10)

Public contributions, donated and contributed PPE (Refer to note 41.3)

Fines (Refer to note 41.9)

Rental of facilities and equipment (Refer to note 41.11)

Gain on de-recognition of Assets (Refer to note 41.2 & 41.3 & 41.5)

Gain on Fair Value adjustment of Investment Property and Biological assets (Refer to note 42.1)

Other income (Refer to notes 41.1 & 41.2 & 41.3 & 41.8)

Expenditure adjustments:

Debt Impairment Cost (Refer to note 41.9)

Depreciation (Refer to note 41.1 & 41.3 & 41.4 & 42.1)

Amortisation - Intangible Assets (Refer to note 41.4)

Repairs and maintenance (Refer to note 41.2)

Finance costs (Refer to note 41.1)

Loss on de-recognition of Assets (Refer to note 41.2 & 41.3)

Loss on Fair Value adjustment of Investment Property and Biological assets (Refer to note 42.1)

Restated Surplus for the year as at 30 June 2015

2015

R

83 672 431

(5 106 995)

14 982

12 998

1 427 159

9 054

1 315 969

(6 140 394)

(1 746 763)

(7 011 875)

1 086 951

879 700

31 539

(70 400)

3 042 275

95 066

(12 077 007)

85 577 311

41.15 SUMMARY OF CHANGES TO STATEMENT OF CHANGES IN NET ASSETS:

During the year various previous year adjustments were made to the Statement of Changes in Net Assets. The following is a summary of all the movements in the previous year's balances for the Accumulated Surplus, Capital Replacement Reserve and the Housing Development Fund:

	2015
	R
<u>Changes to Accumulated Surplus:</u>	
Balance as at 30 June 2015 (as stated in the 2014/15 Annual Financial Statements):	2025 488 113
Capital replacement reserve (Refer to note 41.2)	(915 070)
Non-current provisions (Refer to note 41.1)	(29 901 520)
Payables from exchange transactions (Refer to note 41.2)	519 111
Unspent Conditional Grants and Receipts (Refer to note 41.10)	14 982
Property, Plant & Equipment (Refer to note 41.3)	11 746 371
Intangible Assets (Refer to note 41.4)	205 613
Investment Property (Refer to note 41.5)	274 699 148
Long-term receivables (Refer to note 41.7)	(118 881)
VAT Receivable (Refer to note 41.2)	4 873 472
Inventory (Refer to note 41.6)	10 347 679
Receivables from exchange transactions (Refer to note 41.7)	(3 939 761)
Other Receivables from non-exchange transactions (Refer to note 41.7)	74 567
Unpaid conditional grants and receipts (Refer to note 41.10)	155 677
Operating Lease Assets (Refer to note 41.11)	33 030
Restated balance of Accumulated Surplus as at 30 June 2015	2293 282 532
<u>Changes to Capital Replacement Reserve:</u>	
Balance as at 30 June 2015 (as stated in the 2014/15 Annual Financial Statements):	128 715 032
Capital replacement reserve	915 070
Restated balance of Capital Replacement Reserve as at 30 June 2015	129 630 102
<u>Changes to Housing Development Fund:</u>	
Balance as at 30 June 2015 (as stated in the 2014/15 Annual Financial Statements):	750 539
None	-
Restated balance of Housing Development Fund as at 30 June 2015	750 539

42. CHANGE IN ACCOUNTING POLICY

42.1 Investment Property (Refer Note 18) & Fair Value adjustment (Refer Note 41 - OLD) & Depreciation and Amortisation Expense - "Investment Property" (Refer Note 35)

The municipality decided to make use of Directive 11, paragraph 5 in changing their accounting policy relating to Investment Property from the "Fair-value model" to the "Cost model". This change effected comparative figures.

Changes to Notes to Annual Financial Statements:	2015
<u>Investment Properties (Note 18):</u>	R
Balance at 30 June 2015 on 2014/15 Financial Statements	330 888 400
<u>Adjustments to "Cost":</u>	
Reversal of fair value adjustment because of change form fair value model to cost model - Opening Balance	288 143 931
Reversal of fair value adjustment because of change form fair value model to cost model - 2014/15	5 936 613
<u>Adjustments to "Accumulated Depreciation":</u>	
Depreciation charges because of change form fair value model to cost model - Opening Balance	(5 805 337)
Depreciation charges because of change form fair value model to cost model - 2014/15	(936 029)
<u>Adjustments for Prior Year Adjustments (Refer note 41.5)</u>	(12 640 029)
Restated balance as at 30 June 2015	605 587 548
<u>Fair Value Adjustment (Old Note 41)</u>	
<u>Impairment / Fair Value adjustment of Investment Property and Biological assets (Financial Performance - Revenue from Exchange Transactions):</u>	R
Balance at 30 June 2015 on 2014/15 Financial Statements	6 140 394
Reversal of fair value adjustment because of change form fair value model to cost model - 2014/15	(6 140 394)
Restated balance as at 30 June 2015	-
<u>Impairment / Fair Value adjustment of Investment Property and Biological assets (Financial Performance - Expenditure):</u>	
Balance at 30 June 2015 on 2014/15 Financial Statements	12 077 007
Reversal of fair value adjustment because of change form fair value model to cost model - 2014/15	(12 077 007)
Restated balance as at 30 June 2015	-
<u>Depreciation and Amortisation Expense - "Investment Property" (Note 35):</u>	R
Balance at 30 June 2015 on 2014/15 Financial Statements	-
Depreciation charges because of change form fair value model to cost model - 2014/15	936 029
Restated balance as at 30 June 2015	936 029

All related statements and notes were adjusted accordingly.

43. CHANGE IN ACCOUNTING ESTIMATES

43.1 Changes in Useful lives (Refer Note 15 - PPE & Note 17 - Intangible assets)

The municipality has reassessed the useful lives and residual values of property, plant and equipment which resulted in changes in depreciation and amortisation charges. The effect of the change in accounting estimate has resulted in the following movements for the current and future periods on the affected capital assets:

	2016	2017	2018	2019
	R	R	R	R
Movement in depreciation and amortisation:				
Before change in estimate	6 143 289	4 518 082	498 647	432 588
After change in estimate	4 990 755	3 762 280	608 839	249 330
Net effect	<u>1 152 534</u>	<u>755 802</u>	<u>-110 192</u>	<u>183 257</u>

44. RESTATEMENT OF COMPARATIVE INFORMATION

No adjustments due to restatement of comparative information occurred during the current financial year.

45. COMPARISON WITH BUDGET

Reconciliation of budget surplus/deficit with the surplus/deficit in the Statement of Financial Performance:

	2015
	R
Net surplus/(deficit) per the statement of financial performance	87 245 558
Net surplus/(deficit) as per approved budget	<u>49 274 592</u>
Variance to be explained (refer to Statement of Comparison of Budget and Actual amounts for detail)	<u>37 970 966</u>

Budget information is presented on the accrual basis and is based on the same period as the actual amounts, i.e. 1 July 2015 to 30 June 2016. The budget information is therefore on a comparable basis to the actual amounts.

Expenditure per VOTE: OPERATIONAL

	Budget:	Actuals:	Variance:
	R	R	R
Municipal Manager & Executive Council	52 876 070	52 892 161	(16 091)
Corporate Services	45 024 917	43 516 828	1 508 089
Financial Services	39 150 099	36 875 661	2 274 438
Technical Services	406 635 928	402 117 742	4 518 186
Community Services	159 046 885	158 249 326	797 559
Development and Planning	122 572 864	98 142 665	24 430 199
	<u>825 306 763</u>	<u>791 794 383</u>	<u>33 512 380</u>

Detail of Material Variances:

Corporate Services: The underspending is mainly due to savings on general expenditure and employee related costs. **Financial Services:** The underspending is mainly due to savings on bank charges, postage and collection costs. **Technical Services:** The underspending is mainly due to underspending on Bulk Purchases, Repairs and maintenance and contracted sanitation services. **Community services:** The underspending is mainly due to savings on Employee related costs due to the post of the Director Community services being vacant for some time and savings on general expenditure. **Development and Planning:** The underspending is mainly due to the underspending on Housing topstructure projects and loss on disposal of assets not realising as anticipated.

Expenditure per VOTE: CAPITAL

	Budget:	Actuals:	Variance:
	R	R	R
Municipal Manager & Executive Council	28 041	27 573	468
Corporate Services	3 907 871	3 933 424	(25 553)
Financial Services	299 200	290 410	8 790
Technical Services	62 075 102	62 062 955	12 147
Community Services	11 381 026	9 720 035	1 660 991
Development and Planning	83 298 322	70 988 871	12 309 452
	<u>160 989 562</u>	<u>147 023 268</u>	<u>13 966 294</u>

Detail of Material Variances:

Corporate Services: The overspending is mainly due to Donated assets received for the Great Brak tourism building which was not budgeted for. **Financial Services:** The underspending is mainly due to savings on projects. **Technical Services:** The underspending is mainly due to savings on projects. **Community services:** The underspending is mainly due to the Herbertsdale Library building project delay due to erven not registered in municipal name and the project for installation of weightpad at transfer station not realising as no acceptable bids was received. **Development and Planning:** The underspending is due to the underspending of Housing infrastructure projects due to delay in relocation of beneficiaries and establishing of TRA

46. CASH GENERATED BY OPERATIONS

	2016	2015
	R	R
Surplus / (Deficit) for the year	87 245 558	85 577 311
Adjustment for:		
Depreciation and Amortisation	65 586 483	59 321 124
Depreciation - Previous year adjustment		
Gain and loss on derecognition of property, plant and equipment	7 684 369	3 090 143
Donated and Contributed PPE	(6 916 943)	(1 630 129)
Fair Value adjustment	-	-
Impairment on Assets	-	1 363 370
Reversal of Asset Impairment	(1 811 569)	(276 969)
Contributions to provisions (non-current)	8 703 219	7 707 697
Contributions to provisions (current)	(178 636)	(293 910)
Employee Benefits (non-current)	7 541 377	6 994 008
Employee Benefits (current)	398 000	213 000
Actuarial loss	3 716 946	-
Actuarial gains	(827 323)	(2 475 690)
Contributions to debt impairment provision	22 364 134	33 873 176
Bad Debts written off	(34 865 434)	(10 209 565)
Investment Income	(29 521 047)	(20 365 332)
Operating Lease Income	43 870	(29 352)
Operating Lease Expenses	292 464	213 396
Finance costs	6 236 695	5 818 490
Operating surplus before working capital changes:	135 692 164	168 890 769
(Increase) / Decrease in inventories	9 075 953	15 514 520
(Increase) / Decrease in receivables from exchange transactions	21 347 402	(15 329 680)
(Increase) / Decrease in receivables from non-exchange transactions	(14 568 688)	(18 431 427)
Increase / (Decrease) in unspent / unpaid conditional grants & receipts	(15 517 141)	23 040 777
Increase / (Decrease) in VAT payable/receivable	4 454 385	(1 244 885)
Increase / (Decrease) in Payables from exchange transactions	(10 183 243)	5 263 119
Cash generated by operations	130 300 833	177 703 192

47. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

	2016	2015
	R	R
Finance lease liability (see note 4)	786 227	1 469 807
Other Long-term liabilities (see note 5)	27 133 487	24 463 557
Used to finance PPE - at cost	-	-
Sub-total	27 919 715	25 933 364

Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date (See note 25).

48. UNAUTHORISED, IRREGULAR, FRUITLESS & WASTEFUL EXPENDITURE

48.1 Unauthorised expenditure

	2016	2015
	R	R
Reconciliation of unauthorised expenditure		
Opening balance	21 307	-
Unauthorised expenditure current year	25 553	21 307
Approved by council or condoned	(21 307)	-
Transfer to receivables for recovery - not condoned	-	-
Unauthorised expenditure awaiting authorisation	25 553	21 307

The overspending of R21 307 under the vote for the Municipal Manager in the 2014/15 year was due to the lease of a photocopy machine where the nett present value of the asset was more than the fair value. This overspending was approved by Council. The overspending of R25 553 under the Corporate services vote in the 2015/16 year is due to donated assets recognised which was not budgeted for.

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48.2 Irregular expenditure

	2016 R	2015 R
Reconciliation of irregular expenditure		
Opening balance	2 279 942	-
Irregular expenditure current year	216 563	-
Condoned or written off by Council	-	2 279 942
Recovered	-	-
To be recovered - contingent asset	-	-
Adjustment of prior year disclosure	(2 279 942)	-
Irregular expenditure awaiting condonement	<u>216 563</u>	<u>2 279 942</u>

2016

Incident	Disciplinary steps/criminal proceedings
Tender 34-15/16 - Expenditure above the awarded tender amount in terms of the Bid Adjudication Minutes.	Disciplinary Board Committee convened and made recommendations to Council based on a report from the Municipality's Internal Audit Unit.

2015

Incident	Disciplinary steps/criminal proceedings
Alleged collusive relationship not declared by tenderers. In terms of the MFMA, section 118, no person may interfere with the SCM system of the Municipality. In this regard, two tenders failed to submit accurate and true certificates and/or fraudulently submitted false information in the standard bidding documentation that has to be completed as per Sec 21 of the SCM Regulations.	Legal correspondence received indicated that the disclosure of irregular expenditure in the 1415 Annual Financial Statements was incorrect.

48.3 Fruitless & wasteful expenditure

Reconciliation of fruitless and wasteful expenditure		
Opening balance	-	-
Fruitless and wasteful expenditure current year	-	-
Condoned or written off by Council	-	-
To be recovered - contingent asset	-	-
Fruitless and wasteful expenditure awaiting condonement	<u>-</u>	<u>-</u>

49. ADDITIONAL DISCLOSURES i.t.o THE MFMA

49.1 Contributions to SALGA

	2016 R	2015 R
Opening balance	-	-
Council subscriptions	2 194 327	2 010 265
Amount paid - current year	(2 194 327)	(2 010 265)
Amount paid - previous years	-	-
Balance unpaid (included in Payables from exchange transactions)	<u>-</u>	<u>-</u>

49.2 Audit fees

	2016 R	2015 R
External Audit Fees		
Opening balance	-	-
Current year audit fee	3 172 092	3 788 053
Amount paid - current year	(3 172 092)	(3 788 053)
Amount paid - previous years	-	-
Balance recoverable (included in Payables from exchange transactions)	<u>-</u>	<u>-</u>
Internal Audit Fees		
Opening balance	-	-
Current year audit fee	1 917 445	1 341 470
Amount paid - current year	(1 917 445)	(1 341 470)
Amount paid - previous years	-	-
Balance unpaid (included in Payables from exchange transactions)	<u>-</u>	<u>-</u>

49.3 VAT

	2016 R	2015 R
VAT Receivable / (Payable)	<u>5 603 034</u>	<u>10 057 420</u>

All VAT returns have been submitted by the due date throughout the year.

49.4 PAYE and UIF

	2016 R	2015 R
Opening balance	-	-
Current year payroll deductions	26 983 697	26 437 255
Amount paid - current year	(26 983 697)	(26 437 255)
Amount paid - previous years	-	-
Balance recoverable (included in Payables from exchange transactions)	<u>-</u>	<u>-</u>

49.5 Pension, Provident and medical aid contributions, Group insurance

	2016 R	2015 R
Opening balance	-	-
Current year payroll deductions and council contributions	59 947 698	53 844 150
Amount paid - current year	(59 947 698)	(53 844 150)
Amount paid - previous years	-	-
Balance unpaid (included in Payables from exchange transactions)	<u>-</u>	<u>-</u>

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49.6 Councillor's arrear consumer accounts

The following Councillors had arrear accounts outstanding as at 30 June for more than 90 days:

	<u>Total</u>	<u>Outstanding less</u>	<u>Outstanding more</u>
	<u>R</u>	<u>than 90 days</u>	<u>than 90 days</u>
	<u>R</u>	<u>R</u>	<u>R</u>
30 June 2016			
None	-	-	-
Total Councillor Arrear Consumer Accounts	-	-	-
30 June 2015			
None	-	-	-
Total Councillor Arrear Consumer Accounts	-	-	-

During the year the following councillors had arrear accounts outstanding for more than 90 days:

	<u>Month</u>	<u>Highest Amount</u>	<u>Ageing</u>
		<u>Outstanding</u>	
		<u>R</u>	
1 July 2015 to 30 June 2016			
None			
1 July 2014 to 30 June 2015			
R Skombingo	July 2014 to August 2014	34	90+ days

49.7 Non-compliance with Chapter 11 of the MFMA

The following deviations and ratifications of minor breaches of procurement processes are reported to council in terms of Paragraph 36(2) of the SCM Policy:

CLOSED QUOTATIONS / TENDERS:

MONTH	R0 - R20 000	R20 001 - R50 000	R50 001 - R100 000	R100 001 - R200 000	Above R200 000
July 2015	185 398	331 892	216 294	252 367	926 603
Aug 2015	260 634	415 331	374 175	352 375	7 190 453
Sep 2015	368 878	376 292	282 183	246 182	1 409 723
Oct 2015	265 537	268 689	437 429	475 861	2 109 250
Nov 2015	205 947	260 417	128 258		280 440
Dec 2015	164 800	300 973	213 782	135 652	366 000
Jan 2016	143 906	225 237		100 040	
Feb 2016	177 816	309 700	77 917	141 883	664 620
Mar 2016	113 576	152 742	325 001	249 568	833 546
Apr 2016	152 598	145 959	182 019	475 686	2 499 399
May 2016	241 817	277 870	52 503	206 187	
Jun 2016	132 197	297 172	133 290	120 829	
Grand Total	2 413 105	3 362 274	2 422 852	2 756 631	16 280 034

The above-mentioned deviations from the Supply Chain Management processes has been condoned in terms of the approved Supply Chain Management Policy.

49.8 LEVIES PAID TO OTHER GOVERNMENT ORGANISATIONS

	2016	2015
	R	R
Levy Department of Water Affairs and Forestry : Water	355 643	294 664
Levy Department of Water Affairs and Forestry : Water Catchment Management	624 199	686 020
Skills Development Levy	1 874 575	1 733 653
Levy Bargaining Council	75 320	68 722

49.9 MATERIAL LOSSES

	2016	2015
	R	R
<u>Electricity distribution losses</u>		
- Units purchased (kWh)	302 105 101	293 410 192
- Units lost during distribution (kWh)	28 793 364	19 582 468
- Percentage lost during distribution	9.53%	6.67%

These losses are due to technical losses on the distribution system (transformers, cables, overhead lines), faulty meters, theft and vandalism.

	2016	2015
	R	R
<u>Water distribution losses</u>		
- Mega litres purified	7 533	7 602
- Mega litres lost during distribution	1 152	1 261
- Percentage lost during distribution	15.30%	16.59%

These losses are due to defective meters, losses on water network (breakage in pipelines and pumps, leaking valves, etc.), evaporation, theft, vandalism and damages due to blind excavations.

50. CONTRACTUAL COMMITMENTS

Commitments in respect of capital expenditure:

-approved and contracted for

Infrastructure

Community

Other

-approved, but not yet contracted

Infrastructure

Community

Other

TOTAL

This expenditure will be financed from:

-Capital replacement reserve

-Government grants

-Public contributions / donations

2016	2015
R	R
82 527 253	37 490 270
76 423 471	37 445 044
6 103 782	-
	45 226
-	-
-	-
-	-
-	-
82 527 253	37 490 270
29 268 777	6 570 455
53 258 477	30 919 815
	-
82 527 253	37 490 270

51. RELATED PARTIES

Parties are considered to be related if:

- One party has the ability to control the other party or

- Exercise significant influence over the other party in making financial and operating decisions.

51.1 Related Party Transactions

Year ended 30 June 2016

Councillors

Municipal Manager and Section 57 Personnel

Municipal Entities

Year ended 30 June 2015

Councillors

Municipal Manager and Section 57 Personnel

Municipal Entities

Rates and service charges	Outstanding balances
R	R
262 926	-
52 049	-
-	-
279 790	-
74 485	-
-	-

The rates, service charges and other charges are in accordance with approved tariffs that was advertised to the public. No bad debt expenses had been recognised in respect of amounts owed by related parties.

51.2 Joint Venture - Jointly controlled asset

Mossel Bay Municipality has an agreement with PetroSA for the funding and construction of a jointly-owned 15 Mega litres per day Seawater Desalination facility.

The municipality accounts for its share of the jointly controlled assets, any liabilities it has incurred, its share of any liabilities jointly incurred with other venturers, income from the sale or use of its share of the joint venture's output, together with its share of the expenses incurred by the joint venture, and any expenses it incurs in relation to its interest in the joint venture.

Title and ownership of the Desalination facility shall vest in the Municipality and PetroSA proportional to their respective funding contributions.

Refer to notes 15, 31.3 and 40 for more detail on these transactions.

51.3 Related Party Loans

Loans to Councillors and senior management employees are no longer permitted since 1 July 2004.

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51.4 Compensation of key management personnel

The compensation of key management personnel is set out in note 32.

51.5 Other related party transactions

No contracts were awarded to key management personnel/councillors or their close family members during the year under review.

The following are awards above R2 000 made to close family members of anybody in the service of the state.

QUOTATIONS:

QUOTATION	AWARDED TO	TOTAL AMOUNT (R) FOR 15/16 YEAR	RELATION
Testing of water meters	3RD Generation Trading	3 000	The spouse of the Director is employed by PetroSA
Various	A2 Loodgieters	26 630	The wife of the owner is employed by the Department of Correctional Services
Various	Abathathu Valuers CC	81 159	The owner is the cousin of an employee of Mossel Bay Municipality
Various	Aurecon South Africa George	1 438 574	Aurecon has numerous family members working for State Departments, but none of their Directors has any family members in service of the State.
Various	Ben-oni Louis Construction	79 285	The owner is the brother of an employee of Mossel Bay Municipality
Establishment of new cemetery-pinnacle point	CEDERBERG CONSERVATION SERVICES	13 700	The wife of the owner is an employee at SAN Parks
Meters Pre paid	CONLOG (PTY) LTD	201 747	Conlog (Pty) Ltd has numerous family members working for State
Various	Electronics Services	15 497	The owner is the The son in law of one of the employees of Mossel Bay
Various	Elster Kent Metering (Pty) Ltd	388 580	One of the non-executive Directors, Nompumelelo Nkabinde, has been in service of the state for the past twelve
Provision of labour for the building works for low income houses in Kwanonwaba	Help World Construction	38 166	One of the Directors is employed at Tansnet TNPA. This was not declared in their document but was later identified
Translation Services	HP PRETORIUS	4 917	The owner is the niece of an employee of Mossel Bay Municipality
Training	Leanco Business services & Training CC	155 925	The spouse of the owner is a councilor at George Municipality
Various	LNJ Konstruksie BK	289 052	The owner is the son of the Executive Mayor of Mossel Bay Municipality
Consultant fees	Mark Berry Environmental Consultants CC	56 271	The Spouse of one of the Directors is a State Advocate with NPA
Various	Marracon (PTY) Ltd	70 553	The owners are the sons of the Executive Mayor of Mossel Bay

MOSSEL BAY MUNICIPALITY

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QUOTATION	AWARDED TO	TOTAL AMOUNT	RELATION
		(R) FOR 15/16 YEAR	
Various	Maverick Trading 1088 CC	118 919	The Director of Maverick Trading 1088 CC was an employee of Mossel Bay
Various	Powerrec	111 613	Powerrec has numerous family members working for State
Tools and Equipment	Prima Parts	6 008	The owner is the mother of one of the employees of Mossel Bay Municipality
Various	Schneider Electric	260 232	Schneider Electric has numerous family members working for State
Consulting Services	SMEC South Africa (Pty) Ltd	1 178 535	The daughter of an employee of Mossel Bay Municipality works for SMEC
Various	Volts and Welds	430 883	The owner is the cousin of an employee of Mossel Bay Municipality

TENDERS:

TENDER	AWARDED TO	AMOUNT	RELATION
Tender 12-15/16	A2 Loodgieters	919 188	The wife of the owner is employed by the Department of Correctional Services
Tender 4-15/16	Aurecon South Africa George	868 301	Aurecon has numerous family members working for State Departments, but
Tender 44-15/16	LNJ Konstruksie BK	287 509	The owner is the son of the Executive Mayor of Mossel Bay Municipality
Tender 53-15/16	LNJ Konstruksie BK	736 035	The owner is the son of the Executive Mayor of Mossel Bay Municipality
Tender 2-15/16	Marracon (Pty) Ltd	3 344 814	The owners are the sons of the Executive Mayor of Mossel Bay
Tender 23-15/16	Marracon (Pty) Ltd	1 790 772	The owners are the sons of the Executive Mayor of Mossel Bay
Tender 25-13/14	Marracon (Pty) Ltd	59 131	The owners are the sons of the Executive Mayor of Mossel Bay
Tender 33-15/16	Servelec (Pty) Ltd	670 397	One of the Directors declared that his spouse is employed by SARS.
Tender 44-14/15	Volts and Welds	70 456	The owner is the cousin of an employee of Mossel Bay Municipality

Alderlady M Ferreira (Executive Mayor) do not have any shareholding or interest in Marracon (Pty) Ltd and or LNJ Konstruksie BK as per the above awards.

The transactions are concluded in full compliance with the Supply Chain Management policy of the Council and the transactions are considered to be at arms length.

52. FINANCIAL RISK MANAGEMENT

Credit risk is defined as the risk that one party to a financial instrument will fail to honour their obligation, thus causing the other party to incur a financial loss.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. This comprises three types of risks, which is currency risk, interest rate risk and other prices risk.

Interest rate risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest rate changes.

Potential concentrations of credit risk and interest rate risk consist mainly of fixed deposit investments, long term debtors, consumer debtors, other debtors, short term investment deposits and bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well established financial institutions of high quality credit standing. The credit exposure to any single counterparty is managed by setting transaction/exposure limits, which are included in the municipality's investment policy. These limits are reviewed annually by the CFO and authorised by the executive mayoral committee.

Consumer debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of an allowance for doubtful debt. Outstanding accounts are followed up monthly and the supply of electricity accounts not paid on due date are cut immediately.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate or currency risk, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market).

Liquidity risk is the risk that the municipality will encounter difficulty in raising funds to meet commitments associated with financial liabilities. The financial liabilities of the municipality are backed by appropriate assets and it has adequate liquid resources. Council has an approved Long-term financial plan which brought policies and procedures in place to monitor the cash projections and by ensuring that borrowing facilities are available to meet its cash requirements.

The maximum credit and interest rate risk exposure in respect of relevant financial instruments is as follows:

	2016	2015
Description of type of financial instrument	R	R
Long term receivables	1 647 076	1 929 032
Receivables from Exchange transactions	71 383 083	92 730 485
Other Receivables from Non-Exchange transactions	15 352 905	11 525 251
Cash and Cash Equivalents	339 310 039	319 252 041
Maximum credit and interest rate risk exposure	427 693 103	425 436 809

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53. FINANCIAL INSTRUMENTS

In accordance with the principles of GRAP 104 the financial instruments of the municipality are classified as follows:

SUMMARY OF FINANCIAL ASSETS		2016	2015
Short-term Investment Deposits:		R	R
Short-term Investment Deposits	At amortised cost	330 306 013	290 097 408
Bank Balances and Cash:			
Bank Balances	At amortised cost	8 985 565	29 135 673
Petty cash and advances	At amortised cost	18 460	18 960
Long-term Receivables:			
Study Loans	At amortised cost	133 335	129 080
Land Sales Debtors	At amortised cost	13 921	15 456
Public Assistance Loans	At amortised cost	70 333	127 242
Housing Selling Scheme Loans	At amortised cost	1 429 486	1 657 254
Receivables from Exchange transactions:			
Service debtors	At amortised cost	50 425 236	51 484 225
Debtpack Collections	At amortised cost	3 062	2 359
Land Sales	At amortised cost	6 173	1 048
Housing Instalments	At amortised cost	949 635	570 489
Housing rentals	At amortised cost	52 418	211 915
Sundry Debtors	At amortised cost	10 790 237	8 379 554
Other Receivables from Non-Exchange transactions:			
Government subsidies	At amortised cost	128 834	128 834
Other	At amortised cost	3 134 582	2 655 736
Unpaid conditional grants and receipts:			
Unpaid conditional grants and receipts	At amortised cost	2 515 000	155 677
Total Financial Assets		408 962 293	384 770 911
SUMMARY OF FINANCIAL LIABILITIES		2016	2015
Long term liabilities:		R	R
Local registered stock loans	At amortised cost	118 101	343 864
Long term loan		24 047 623	22 000 000
Lease liability:			
Finance lease liability	At amortised cost	332 280	782 446
Payables from exchange transactions:			
Trade and Other Payables	At amortised cost	72 856 692	76 518 972
Unspent conditional grants and receipts:			
Unspent conditional grants and receipts	At amortised cost	20 756 394	33 914 212
Cash and Cash Equivalents:			
Bank Overdraft	At amortised cost	-	-
Current portion of long term liabilities:			
Local registered stock loans	At amortised cost	215 386	119 693
Long term loan		2 752 377	2 000 000
Current portion of Lease liability:			
Finance lease liability	At amortised cost	453 947	687 361
Total Financial Liabilities		121 532 800	136 366 548

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The following methods and assumptions are used to determine the fair value / amortised cost of each class of financial instrument:

Cash and Cash Equivalents

The carrying amount approximates the fair value due to the relatively short-term nature of these financial assets.

Trade and Other receivables / payables

The carrying amount of trade and other receivables (net of provision for debt impairment) / payables approximates fair value due to the relatively short-term nature of these assets / liabilities.

Long-term Receivables / payables

Subsequent to initial recognition, interest bearing borrowings and receivables are stated at amortised cost. Fixed interest rate instruments are fair valued based on the present value of future principal and interest cash flows, discounted at the market-related interest rates at the reporting date.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on financial instruments exposure to interest rates at reporting date. For floating rate instruments, the analysis is prepared assuming the amount of the instrument outstanding at the reporting date was outstanding for the whole year.

The basis points increases or decreases, as detailed in the table below, were determined by management and represent management's assessment of the reasonably possible change in interest rates.

A positive number below indicates an increase in surplus. A negative number below indicates a decrease in surplus.

The sensitivity analysis shows reasonable expected change in the interest rate, either an increase or decrease in the interest percentage. The equal but opposite % adjustment to the interest rate would result in an equal but opposite effect on surplus and therefore has not been separately disclosed below.

As the entity does not have any instruments that effect net assets directly, the disclosure only indicates the effect of the change in interest rates on surplus. There were no changes in the methods and assumptions used in preparing the sensitivity analysis from one year to the next.

Increase in interest rates

The estimated increase in basis points

Financial Assets

Financial Liabilities

Net effect on surplus (Financial Assets minus Financial Liabilities)

	2016		2015
		1%	1%
	R		R
	4 089 623		3 847 709
	1 215 328		1 363 665
	<u>2 874 295</u>		<u>2 484 044</u>

54. CONTINGENT LIABILITIES / ASSETS**54.1 Contractual disputes**

Below is a list of possible liability claims where the outcome was unknown at 30 June 2016 with the maximum unforeseen liability for the Municipality:

- Allandale and others v Mossel Bay Municipality: This is a claim for flood damages to the amount of R16 516 054.
- Stonetrade Trust v Mossel Bay Municipality: This is a claim with regards to Mid-income housing to the amount of R64 220 976.
- Belstow v Mossel Bay Municipality: This is a claim with regards to the cancellation of contract for Traffic cameras to the amount of R6 679 588.
- Attpower (Pty) Ltd v Mossel Bay Municipality: This is a claim based on so-called breach of contract to the amount of R83 849 227.

SALA Pension Fund v Various Municipalities: This dispute has been settled in the 2015/16 financial year.

54.2 Guarantees of employees housing loans

Guarantees have been issued to various financial institutions on behalf of officials in respect of housing loans.

This is covered by individual cumulated pensions depending on the years of service. Collateral investments were made in certain cases. The maximum amount of the guarantees amount to R24 285, and council has a right to recovery.

Note: Council has received the funds on one of the guarantees, but are awaiting confirmation of cancellation of the guarantee.

54.3 Other contingent liabilities

- There is currently eight disputes under arbitration and conciliations between the municipality and employees. The outcome, timing and amounts of these cases are not available.
- The municipality became aware of a slope movement at Seemeeu Park which is currently being investigated. The outcome of these investigations is not yet finalised.

54.4 Contingent Assets

The Municipality is currently in a dispute with Eden District Municipality regarding ownership of Erven 264 and 271, Reebok. If Mossel Bay Municipality succeeds in the dispute it will lead to the properties being added to their asset register.

55. EVENTS AFTER THE REPORTING DATE

To the best of our knowledge there are no events after the reporting date to be disclosed.

Note 56: Implication of standards approved but not yet effective:

Std. no.		Standard title	Standard requirements	Earlier implementation Y/N	Extent to which information in the AFS would need to be adjusted to achieve compliance with the exempted standards
GRAP 18		Segment reporting	Entire standard	N	<p>The AFS will have to be adjusted to ensure that the disclosure requirements relating to segment information are met.</p> <p>The primary reporting format requires inter alia, disclosure of:</p> <ol style="list-style-type: none"> 1) Segment revenue for every reportable segment. 2) Segment results for every reportable segment. 3) Segment assets for every reportable segment. 4) The total cost incurred during the period to acquire reportable segment long term assets. 5) A reconciliation between the information disclosed for reportable segments and the information in the entity's own financial statements. <p>Based on the decision of the entity whether business or geographical segments are the primary reporting format, the secondary reporting format requirements as set out in GRAP 18 will also need to be disclosed in the AFS.</p> <p>Note should be taken of the information disclosed as per Appendix B and C.</p>
GRAP 32		Service Concession Arrangements: Grantor	Entire Standard	N	Not applicable to Mossel Bay Municipality at this stage.
GRAP 108		Statutory Receivables	Entire Standard	N	The Municipality has resolved to adopt the principles as set out in GRAP 108 to formulate its own accounting policy.

APPENDICES

Appendix A : Schedule of External Loans

APPENDIX A

SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2016

External loans	Institution	Loan number	Redeemable	Balance at 30 June 2015	Received during the period	Redeemed / written off during the period	Unamortised discount on loans	Balance at 30 June 2016	Carrying value of PPE	Other costs in accordance with the MFMA
STOCK LOANS				R	R	R		R	R	R
Stock loan @ 15.00%	Hartenbos Tennisklub	1/97	2012/12/31	-				-	-	-
Stock loan @ 15.00%	KBR Tennisklub	2/97	2012/12/31	-				-	-	-
Stock loan @ 15.00%	Vista Rolbalklub	1/99	2013/12/31	-				-	-	-
Stock loan @ 15.00%	Hartenbos Bowling club	2/99	2015/12/31	-				-	-	-
Stock loan @ 15.00%	St Blaze Mooel Vlieers	2/2000/01	2015/11/01	13 538		13 538		(0)	-	-
Stock loan @ 15.00%	Hartenbos Bowling Club	1/2000/01	2015/07/20	92 308		92 308		0	-	-
Stock loan @ 15.00%	Mosselbaai Tennisklub	4/2000/01	2016/03/01	13 847		13 847		-	-	-
Stock loan @ 15.00%	Mosselbaai Aero club	1/2001/02	2016/10/01	178 462				178 462	-	-
Stock loan @ 15.00%	Mosselbaai Harriers	2/2001/02	2016/10/01	36 924				36 924	-	-
Stock loan @ 15.00%	Mosselbaai Bowling club	1/2002/03	2018/03/07	61 539				61 539	-	-
Stock loan @ 12.00%	Boggomsbaai Golf club	2/2003/04	2018/10/31	30 714				30 714	-	-
Stock loan @ 12.00%	Hartenbos Tennisklub	1/2003/04	2018/09/18	36 225			(10 376)	25 848	-	-
Total stock loans				463 557	-	119 693	(10 376)	333 487	-	-
LONG-TERM LOANS										
DBSA loan R30m	Development Bank of South Africa	1/2012/02	2027/06/30	24 000 000	-	2 000 000		22 000 000	-	-
ABSA loan R4.8m	ABSA Bank		2026/07/01	-	4 800 000	-		4 800 000	-	-
Total long-term loans				24 000 000	4 800 000	2 000 000	-	26 800 000	-	-
TOTAL EXTERNAL LOANS				24 463 557	4 800 000	2 119 693	(10 376)	27 133 487	-	-

Appendix B : Segmental analysis of Statement of Financial Performance (Mun Dept classification)

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2016

MUNICIPAL DEPARTMENT CLASSIFICATION

2015	2015	2015		2016	2016	2016
Actual income	Actual expenditure	Surplus/ (deficit)	SEGMENT	Actual income	Actual expenditure	Surplus/ (deficit)
R	R	R		R	R	R
50 127 854	43 826 601	6 301 253	Municipal Manager & Council	51 106 689	52 892 792	(1 786 103)
1 525 989	27 474 151	(25 948 162)	Manager Corporate Services	1 508 454	32 056 288	(30 547 833)
1 020 767	9 437 270	(8 416 503)	Socio Economic Plan and Dev	7 720 142	11 463 246	(3 743 104)
26 234 902	62 299 849	(36 064 946)	Town planning & Building control	36 514 210	75 754 168	(39 239 958)
4 461 339	7 929 424	(3 468 085)	Libraries	6 366 797	9 155 091	(2 788 293)
97 346 695	34 646 473	62 700 222	Manager Financial Services	100 974 106	36 877 161	64 096 945
228 005	4 221 664	(3 993 659)	Manager Technical Services	200 296	5 245 563	(5 045 267)
345 380 566	250 930 424	94 450 142	Electricity	386 468 224	287 234 822	99 233 401
56 759 256	34 433 052	22 326 204	Sewerage	63 119 467	39 134 254	23 985 213
106 017 078	70 790 027	35 227 051	Water	112 523 761	71 088 417	41 435 344
1 190 994	8 538 855	(7 347 861)	Manager Community Services	(273 670)	6 076 871	(6 350 541)
8 914 473	7 725 124	1 189 349	Caravan Parks and Chalets	2 976 722	6 662 650	(3 685 928)
288 437	646 540	(358 103)	Cemeteries	313 277	730 337	(417 060)
45 645 425	37 633 946	8 011 479	Cleansing	49 532 263	42 315 380	7 216 883
26 885 721	35 634 084	(8 748 363)	Integrated Human Settlements	24 208 350	22 405 638	1 802 712
31 048 149	51 162 629	(20 114 480)	Public Safety and Rescue Services	32 977 608	52 852 660	(19 875 052)
(728 697)	31 840 815	(32 569 513)	Parks and Recreation	2 803 243	41 459 332	(38 656 090)
802 346 955	719 170 929	83 176 026	Sub Total	879 039 940	793 404 671	85 635 269
	2 401 286	(2 401 286)	Less inter-dep charges		1 610 288	(1 610 288)
802 346 955	716 769 643	85 577 311	Total	879 039 940	791 794 383	87 245 558

Appendix C : Segmental analysis of Statement of Financial Performance (GFS classification)

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2016

GFS CLASSIFICATION

2015	2015	2015		2016	2016	2016
Actual income	Actual expenditure	Surplus/ (deficit)	SEGMENT	Actual income	Actual expenditure	Surplus/ (deficit)
R	R	R		R	R	R
5 940 770	17 114 820	(11 174 049)	Community & Social Services	6 406 405	15 962 299	(9 555 894)
345 380 566	250 930 424	94 450 142	Electricity	386 468 224	287 234 822	99 233 401
49 065 401	39 429 965	9 635 436	Executive & Council	50 648 992	46 025 661	4 623 331
100 163 143	71 749 270	28 413 873	Finance & Admin	103 140 553	83 499 714	19 640 839
26 885 721	34 626 327	(7 740 606)	Housing	24 208 350	19 946 507	4 261 843
-	2 412	(2 412)	Other	-	5 560	(5 560)
7 362 622	24 200 184	(16 837 562)	Planning and Development	16 245 543	34 702 553	(18 457 010)
31 048 149	51 162 629	(20 114 480)	Public Safety	32 977 608	52 852 660	(19 875 052)
15 300 627	39 251 507	(23 950 880)	Road Transport	18 118 953	43 279 752	(25 160 799)
8 185 776	39 565 939	(31 380 164)	Sport and Recreation	5 779 965	48 121 983	(42 342 018)
45 645 425	37 633 946	8 011 479	Waste Management	49 532 263	42 315 380	7 216 883
61 351 677	42 713 480	18 638 197	Waste Water Management	72 989 324	48 369 364	24 619 960
106 017 078	70 790 027	35 227 051	Water	112 523 761	71 088 417	41 435 344
802 346 955	719 170 929	83 176 026	Sub Total	879 039 940	793 404 671	85 635 269
	2 401 286	(2 401 286)	Less inter-dep charges		1 610 288	(1 610 288)
802 346 955	716 769 643	85 577 311	Total	879 039 940	791 794 383	87 245 558

Appendix D : Disclosure of Grants and Subsidies (According to Section 123 of MFMA)

APPENDIX D

DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, S6 OF 2003 FOR THE YEAR ENDED 30 JUNE 2016

Name of VOTE	Name of Organ of State, Municipal Entity or Grant	Opening Balance	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies delayed/with held June	Total
			Sept	Dec	March	June	Sept	Dec	March	June		
ALL GRANTS, SUBSIDIES AND PUBLIC CONTRIBUCTIONS & DONATED PPE (per vote)												
MUNICIPAL MANAGER		89 266	-	-	216 052	40 000	16 000	45 900	98 800	36 403	-	148 215
CORPORATE SERVICES		-	421 697	553 193	204 265	5 902 346	383 439	524 498	409 325	6 179 967	458 204	42 477
FINANCIAL SERVICES		-	28 911 000	21 224 000	15 918 000	-	9 469 534	11 800 737	24 612 372	20 170 357	-	-
TECHNICAL SERVICES		523 120	682 156	2 978 143	1 061 701	1 304 535	695 195	2 834 376	471 198	2 084 661	-	464 225
COMMUNITY SERVICES		12 609	4 011 000	4 282 134	2 270 573	626 222	2 027 086	2 338 353	2 123 934	3 024 069	7 075	1 696 171
ELECTRICITY SERVICES		-	4 500 000	2 500 000	-	-	2 252 924	678 145	931 638	3 137 293	-	-
DEVELOPMENT PLANNING & HOUSING		33 133 539	9 340 383	20 037 215	8 650 069	1 505 000	6 488 687	19 184 572	15 951 167	15 151 475	-	15 890 306
TOTAL PUBLIC CONTR. & DONATED PPE		33 758 535	47 866 237	51 574 685	28 320 659	9 378 104	21 332 866	37 406 580	44 598 434	49 784 225	465 278	18 241 394

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DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, S6 OF 2003 FOR THE YEAR ENDED 30 JUNE 2016

Name of GRANT	Name of Organ of State, Municipal Entity or Grant	Opening Balance	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies delayed/with held June	Total
			Sept	Dec	March	June	Sept	Dec	March	June		
ALL GRANTS, SUBSIDIES AND PUBLIC CONTRIBUTIONS & DONATED PPE (per grant)												
EQUITABLE SHARE	NATIONAL	-	26 531 000	21 224 000	15 918 000	-	9 129 092	11 184 783	24 131 089	19 228 036	-	-
FINANCE MANAGEMENT GRANT	NATIONAL	-	1 450 000	-	-	-	340 442	573 911	342 715	192 932	-	-
MUNICIPAL SYSTEMS IMPROVEMENT GRANT	NATIONAL	-	930 000	-	-	-	-	42 043	138 567	749 389	-	-
MUNICIPAL INFRASTRUCTURE GRANT	NATIONAL	-	5 935 000	16 600 000	872 000	-	1 107 634	8 354 353	4 040 901	12 244 112	-	(2 340 000)
INTEGRATED NATIONAL ELECTRIFICATION PROGRAMME GRANT	NATIONAL	-	4 500 000	2 500 000	-	-	2 252 924	678 145	931 638	3 137 293	-	-
ENERGY EFFICIENCY AND DEMAND SIDE MANAGEMENT GRANT	NATIONAL	523 120	-	-	-	-	523 032	-	-	88	-	-
EXTENDED PUBLIC WORKS PROGRAMME INCENTIVE GRANT	NATIONAL	-	600 000	450 000	449 000	-	192 976	432 760	66 881	763 906	-	42 477
MUNICIPAL DISASTER RECOVERY	NATIONAL	6 196 558	-	-	-	(0)	46 704	1 124 030	1 489 083	3 535 827	-	915
MOSSEL BAY SEWAGE TREATMENT PLANT STUDY		-	-	-	-	-	-	-	-	-	-	-
INTEGRATED HOUSING AND HUMAN SETTLEMENT & DEVELOPMENT GRANT	Department of Human Settlements	26 369 383	3 487 540	8 316 990	7 126 383	1 505 000	5 442 696	12 208 224	10 696 191	828 205	-	17 629 979
MAINTENANCE AND CONSTRUCTION OF TRANSPORT INFRASTRUCTURE GRANT		-	-	-	34 519	-	-	-	-	34 519	-	-
COMMUNITY DEVELOPMENT WORKERS GRANT	Department of Social Services	-	72 000	-	-	-	31 702	16 969	14 833	8 496	-	-
THUSONG SERVICE CENTRE GRANT		-	-	211 000	-	-	39 293	172 155	-	(448)	-	-
LIBRARY SERVICES CONDITIONAL GRANT	L.S.C.G	-	4 011 000	2 011 000	2 011 000	83 266	1 955 277	2 057 217	2 117 725	291 870	-	1 694 177
FINANCE MANAGEMENT SUPPORT GRANT	PAWC	-	-	-	-	-	-	-	-	-	-	-
HOUSING EMERGENCY KITS	PAWC	723 275	-	-	-	-	1 300	1 950	-	-	-	720 025
LGWSETA SKILLS DEVELOPMENT	LGWSETA	-	117 097	95 448	96 292	63 682	176 677	215 031	172 640	266 375	458 204	-
GREENEST MUNICIPALITY COMPETITION	PAWC	-	-	-	70 000	-	-	-	-	32 456	-	37 544
EMERGENCY RELIEF GRANT	EOEN DISTRICT	(155 677)	-	-	1 545 922	-	-	157 787	196 190	1 017 539	-	18 729
DONATED PPE	PUBLIC CONTRIBUTION	-	-	-	-	6 916 943	-	-	-	6 916 943	-	-
PUBLIC CONTRIBUTIONS AND OTHER SUBSIDIES	PUBLIC CONTRIBUTION	101 875	232 600	166 247	197 543	809 213	93 117	187 222	259 980	536 687	7 075	437 548
TOTAL GRANTS		33 758 535	47 866 237	51 574 685	28 320 659	9 378 104	21 332 866	37 406 580	44 598 434	49 784 225	465 278	18 241 394

1. The Municipality complies with the Grant Conditions in terms of the Grant Framework in the latest division of Revenue Act.

2. CONDITIONS NOT MET

Where the conditions were not fully met, it was due to the fact that projects started late, and will be utilised in the 2016/2017 financial year.

3. PROJECTS FUNDING DELAYED

A debtor was created for the funding not yet received from LGSETA. No other funding were withheld during the year.

Public contributions towards the Building of parking area at Mossel Bay Golf club as received in July 2017. An amount of R2 340 000 was shifted from the 1617 MIG budget to the 1516 financial year.

4. RECONCILIATION BETWEEN APPENDIX AND NOTES TO THE ANNUAL FINANCIAL STATEMENTS

The receipts and expenditure totals on the appendix includes funds received from department of human settlements for projects where the municipality acts as an agent.